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**General Mortgage** AUG 25 1972-10 05 AM

COMMERCIAL TRUST COMPANY

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CENTRAL OF GEORGIA RAILWAY COMPANY

TO

THE CITIZENS AND SOUTHERN NATIONAL BANK,  
AS TRUSTEE.

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*Dated as of January 1, 1948.*

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**THIS INDENTURE OF MORTGAGE**, dated as of January 1, 1948 (hereinafter referred to as the "Mortgage"), between CENTRAL OF GEORGIA RAILWAY COMPANY, a corporation organized and existing under the laws of the State of Georgia, having its principal office in the City of Savannah, State of Georgia (hereinafter referred to as the "Company"), party of the first part, and THE CITIZENS AND SOUTHERN NATIONAL BANK, a corporation organized and existing under the laws of the United States of America, having its principal office in the City of Savannah, State of Georgia (hereinafter referred to as the "Trustee"), as Trustee, party of the second part,

WITNESSETH:

WHEREAS, the Company is a corporation duly organized and existing under the laws of the State of Georgia and is authorized by its articles of incorporation and pursuant to law to acquire, own, lease, construct, extend, maintain and operate a line or lines of railroad in the States of Georgia, Alabama and Tennessee; and

WHEREAS, on June 19, 1940 the Company duly commenced reorganization proceedings pursuant to Section 77 of the Bankruptcy Act, as amended, by filing a petition in the United States District Court for the Southern District of Georgia, Savannah Division (hereinafter referred to as "the Court"), alleging that it was unable to meet its debts as they matured and that it desired to effect a plan of reorganization; and

WHEREAS, on November 6, 1945 the Interstate Commerce Commission duly issued its order in Finance Docket No. 12950 approving a Plan of Reorganization of the Company and on June 24, 1946 the Court entered its order approving said Plan of Reorganization in all respects; and by its order on July 12, 1947 the Court duly confirmed said Plan of Reorganization (hereinafter referred to as the "Plan"); and

WHEREAS, pursuant to the Plan and to order of the Court, all property of the Bankruptcy Trustee appointed in said proceedings has been conveyed, assigned and transferred to the Company, and

WHEREAS, in order to comply with the provisions of the Plan and the orders of the Court and to provide funds for its lawful corporate



purposes the Company has duly determined to issue its General Mortgage Bonds, not limited in aggregate principal amount except as hereinafter provided, secured by a Mortgage on the real and personal property of the Company hereinafter described or referred to as being or to become subject to the lien hereof, such Bonds to be issued in one or more series from time to time, as hereinafter provided, such Bonds to be issued originally as registered Bonds without coupons and all such Bonds to be authenticated by the certificate of the Trustee, all as hereinafter provided; and

WHEREAS, simultaneously with the execution of the Mortgage the Company is executing its First Mortgage, dated as of January 1, 1948, to The Liberty National Bank & Trust Company of Savannah (hereinafter referred to as the "First Mortgage"); and

WHEREAS, in accordance with the Plan, the Reorganization Managers designated pursuant thereto have duly determined the form and provisions of the Mortgage and of the Bonds of Series A and Series B to be issued thereunder; and

WHEREAS, on June 24, 1948, the Court duly entered its order in said reorganization proceedings finding that the execution of the Mortgage is necessary and proper to put into effect and to carry out the Plan and authorizing and directing the execution of the Mortgage by the parties thereto; and

WHEREAS, the Bonds of Series A and Series B and the Trustee's certificate of authentication to be endorsed on the Bonds of all series are to be substantially in the following forms, respectively:

[FORM OF BOND OF SERIES A]

No. \_\_\_\_\_ \$ \_\_\_\_\_

CENTRAL OF GEORGIA RAILWAY COMPANY

GENERAL MORTGAGE 4½% INCOME BOND, SERIES A,

DUE JANUARY 1, 2020

CENTRAL OF GEORGIA RAILWAY COMPANY, a corporation existing under the laws of the State of Georgia, and having its principal office in the City of Savannah, State of Georgia (herein referred to as the

"Company"), for value received, hereby promises to pay to .....  
 ....., or registered assigns, on January  
 1, 2020, the principal sum of ..... Dollars (\$.....)  
 in such coin or currency of the United States of America as at the time  
 of payment shall be legal tender for the payment of public and private  
 debts; and (except as herein otherwise provided) to pay interest on  
 said principal sum in like coin or currency at the rate of  $4\frac{1}{2}\%$  per  
 annum, from January 1, 1946 (except to the extent paid on or before  
 the date hereof on a principal sum equivalent to the principal sum  
 hereof), until said principal sum becomes due and payable as herein  
 provided and, if default be made in the payment of said principal sum  
 when so due and payable, thereafter (to the extent permitted by law)  
 at the highest rate of interest borne by any of the Bonds outstanding  
 under the Mortgage hereinafter referred to until the Company's obli-  
 gation with respect to the payment of said principal sum shall be dis-  
 charged.

Until said principal sum becomes due and payable, interest on this  
 Bond with respect to each calendar year prior to the calendar year  
 immediately preceding the date of maturity of this Bond will be payable  
 on the first May 1 following such calendar year when and to the extent  
 that the Available Net Income of the Company, as defined and made  
 applicable to the payment of such interest, is adequate therefor under  
 the terms and provisions of the Mortgage. Interest of  $4\frac{1}{2}\%$  on the  
 principal sum of this Bond for the calendar year 2019 will be paid on  
 January 1, 2020, whether or not the Available Net Income of the Com-  
 pany for the calendar year 2019 is adequate for the payment of such  
 interest. To the extent that the Available Net Income of the Company  
 applicable to the payment of interest on this Bond for any calendar  
 year prior to the year 2019 shall be less than  $4\frac{1}{2}\%$  of such principal  
 sum, such interest shall accrue and accumulate up to but not exceeding  
 $13\frac{1}{2}\%$  of such principal sum. When said principal sum becomes due  
 and payable or when an event of default as defined in the Mortgage  
 shall occur, any interest on this Bond that has accumulated as afore-  
 said and that remains unpaid, plus interest reserved as hereinafter  
 provided, interest that has become payable but remains unpaid, and  
 interest (to the extent not otherwise payable) at the rate of  $4\frac{1}{2}\%$  per  
 annum from January 1 of the preceding calendar year to the date when  
 said principal sum becomes due and payable or when such event of  
 default occurs, shall then be due and payable. Accumulations of inter-  
 est on this Bond shall not bear interest. Except at maturity or in such

an event of default, all payments of interest shall be in multiples of  $\frac{1}{8}$  of 1% of the principal amount hereof and no interest shall be required to be paid on this Bond on any interest payment date if the amount then payable would be less than  $\frac{1}{8}$  of 1% of the principal sum hereof, and any amount available for interest not payable because of this provision shall be reserved and added to the amount available for, or payable on account of, interest on the next date on which interest shall be paid.

The principal of, premium if any, and interest on this Bond are payable at the office or agency of the Company in the City of Savannah, State of Georgia, or, at the option of the registered holder hereof, such principal and premium are payable at the office or agency of the Company in the Borough of Manhattan, City and State of New York.

This Bond is one of the General Mortgage Bonds of the Company (herein referred to as the "Bonds"), not limited in aggregate principal amount except as provided in the Mortgage, issued and to be issued under, and all equally and ratably secured by, an indenture of mortgage dated as of January 1, 1948 (herein referred to as the "Mortgage"), duly executed and delivered by the Company to The Citizens and Southern National Bank, as Trustee, and its successors in trust (which Trustee and its successors in trust are hereinafter referred to as the "Trustee"), to which Mortgage and all indentures supplemental thereto reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security, the rights of and restrictions upon the Company and the holders of the Bonds in respect of such security, the rights, duties and immunities of the Trustee and the terms and conditions under which the Bonds are, and may be, issued and secured. By the terms of the Mortgage, the Bonds may be for various principal sums and are issuable in series, and the Bonds of any series may differ from the Bonds of any other series as to denomination, date, maturity, interest rate, redemption, sinking fund provisions and otherwise, all as in the Mortgage provided. Bonds of Series A, of which this is one, are designated as "General Mortgage 4 $\frac{1}{2}$ % Income Bonds, Series A, due January 1, 2020," and the aggregate principal amount thereof is limited to \$1,736,000.

If an event of default as defined in the Mortgage shall occur, the principal of this Bond may be declared or may become due and payable prior to the stated date of maturity hereof in the manner, with the effect and subject to the conditions provided in the Mortgage.

annum thereon from the end of the last preceding calendar year to the date of redemption.

The Bonds of Series A are entitled to the benefits of annual payments into the Series A and Series B Sinking Fund out of Available Net Income, if any, as defined and made applicable for such purposes under the terms of the Mortgage, and to the benefits of payments into the Debt Retirement Fund as provided in the Mortgage.

This Bond is transferable by the registered holder hereof in person (or by his attorney duly authorized in writing) at the office or agency maintained by the Company in said City of Savannah, or, at the option of the registered holder, at the office or agency maintained by the Company in said Borough of Manhattan, on registry books kept for such purpose at such offices or agencies, but only in the manner, subject to the limitations, upon payment of the charges provided in the Mortgage, and upon surrender and cancellation of this Bond. Upon any such transfer a new registered Bond or Bonds without coupons of the same series and maturity date and of authorized denominations for the same aggregate principal amount will be issued to the transferee in exchange therefor.

The Company, the Trustee, any paying agent and any bond registrar may deem and treat the registered holder hereof as the absolute owner of this Bond (whether or not this Bond shall have become due and payable), for the purpose of receiving any payment then being made of or on account of the principal hereof and interest hereon, and for all other purposes, and neither the Company nor the Trustee nor any paying agent nor any bond registrar shall be bound by any notice to the contrary.

The Bonds of this Series are issuable in denominations of \$1,000, \$500 and \$100, and, with the consent of the Company, in denominations in excess of \$1,000, and, upon presentation thereof for that purpose at the office or agency of the Company in the City of Savannah or in said Borough of Manhattan, are interchangeable in authorized denominations in the manner, subject to the limitations and upon payment of the charges, provided in the Mortgage, provided, however, that Bonds of this Series may not be exchanged for Bonds of lesser denominations. Each registered Bond without coupons of this Series delivered pursuant to the exercise of such privilege of exchange shall carry all of the rights to interest which were carried by this Bond at the time of such exchange.

The Mortgage contains provisions permitting the Company and the Trustee at any time or times, with the consent of the holders of not less than 66⅔% in aggregate principal amount of the Bonds then outstanding and to be directly affected thereby, evidenced as in the Mortgage provided, and with the approval of the Interstate Commerce Commission or other public regulatory body having jurisdiction in the premises, to modify or alter in any manner any of the provisions of the Mortgage or of any indenture supplemental thereto or the rights of the holders of the Bonds and coupons to be directly affected thereby or the rights and obligations of the Company; provided, however, that no such modification or alteration shall (i) permit the creation by the Company of any mortgage or other lien in the nature of a mortgage ranking prior to or on a parity with the lien of the Mortgage or of any indenture supplemental thereto, with respect to any property covered thereby, otherwise than as permitted by the Mortgage, or (ii) effect a reduction of the percentage required for any action authorized to be taken by the holders of the Bonds, or (iii) alter or impair the obligation of the Company with respect to the determination and application of income available for interest on the Bonds, or (iv) alter or impair the obligation of the Company to pay the principal of or the interest on this Bond at the time and place and in the manner specified in this Bond, unless the holders of at least 75% in aggregate principal amount of all of the Bonds affected by such modification at the time outstanding, evidenced as in the Mortgage provided, and with the approval of the Interstate Commerce Commission or other public regulatory body having jurisdiction in the premises, shall have consented (i) to postpone the time or times of payment of any principal of or any fixed or unpaid accumulated contingent interest on any or all series of Bonds then outstanding for a period of not exceeding 25 years beyond the original date of maturity of the principal of such Bonds or (ii) to the creation of any mortgage or lien in the nature of a mortgage ranking prior to or on a parity with the lien of the Mortgage.

This Bond is subject to redemption at the option of the Company at any time prior to maturity, or on April 1 of any year through the operation of the Sinking Fund or Debt Retirement Fund hereinafter mentioned, at a redemption price equal to the principal amount thereof plus (1) interest at the rate of 4½% per annum thereon for the last preceding calendar year, if not theretofore paid, (2) all unpaid accumulated interest thereon for years prior to the last preceding calendar year, not exceeding 13½%, and (3) interest at the rate of 4½% per

As provided in the Mortgage, no recourse shall be had for the payment of the principal of or interest on this Bond, or for any claim based hereon, or because of the creation of indebtedness represented hereby, or otherwise in respect hereof, or based on or in respect of the Mortgage or any indenture supplemental thereto, against any past, present or future incorporator, stockholder, officer or director, as such, of the Company or of any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

This Bond shall not be valid or become obligatory for any purpose unless and until the certificate of authentication hereon shall have been signed by the Trustee.

IN WITNESS WHEREOF, Central of Georgia Railway Company has caused this Bond to be signed by its President or one of its Vice Presidents, and its corporate seal or a facsimile thereof to be affixed hereto or imprinted or engraved hereon and attested by its Secretary or an Assistant Secretary, and this Bond to be dated .....

CENTRAL OF GEORGIA RAILWAY COMPANY

By.....

Attest:

*President.*

.....  
*Secretary.*

[FORM OF BOND OF SERIES B]

No. ....

\$.....

CENTRAL OF GEORGIA RAILWAY COMPANY

GENERAL MORTGAGE 4½% INCOME BOND, SERIES B,

DUE JANUARY 1, 2020

CENTRAL OF GEORGIA RAILWAY COMPANY, a corporation existing under the laws of the State of Georgia, and having its principal office in the City of Savannah, State of Georgia (herein referred to as the

"Company"), for value received, hereby promises to pay to .....  
 ....., or registered assigns, on January 1, 2020,  
 the principal sum of ..... (Dollars)  
 in such coin or currency of the United States of America as at the  
 time of payment shall be legal tender for the payment of public and  
 private debts; and (except as herein otherwise provided) to pay  
 interest on said principal sum in like coin or currency at the rate  
 of  $4\frac{1}{2}\%$  per annum, from January 1, 1946 (except to the extent paid  
 on or before the date hereof on a principal sum equivalent to the  
 principal sum hereof), until said principal sum becomes due and  
 payable as herein provided and, if default be made in the payment  
 of said principal sum when so due and payable, thereafter (to the  
 extent permitted by law) at the highest rate of interest borne by any  
 of the Bonds outstanding under the Mortgage hereinafter referred  
 to until the Company's obligation with respect to the payment of said  
 principal sum shall be discharged.

Until said principal sum becomes due and payable, interest on  
 this Bond with respect to each calendar year prior to the calendar  
 year immediately preceding the date of maturity of this Bond will  
 be payable on the first May 1 following such calendar year when and  
 to the extent that the Available Net Income of the Company, as defined  
 and made applicable to the payment of such interest, is adequate there-  
 for under the terms and provisions of the Mortgage. Interest of  $4\frac{1}{2}\%$   
 on the principal sum of this Bond for the calendar year 2019 will be  
 paid on January 1, 2020, whether or not the Available Net Income of  
 the Company for the calendar year 2019 is adequate for the payment  
 of such interest. To the extent that the Available Net Income of the  
 Company applicable to the payment of interest on this Bond for any  
 calendar year prior to the year 2019 shall be less than  $4\frac{1}{2}\%$  of such  
 principal sum, such interest shall accrue and accumulate up to but  
 not exceeding  $13\frac{1}{2}\%$  of such principal sum. When said principal sum  
 becomes due and payable or when an event of default as defined in the  
 Mortgage shall occur, any interest on this Bond that has accumulated  
 as aforesaid and that remains unpaid, plus interest reserved as herein-  
 after provided, interest that has become payable but remains unpaid,  
 and interest (to the extent not otherwise payable) at the rate of  $4\frac{1}{2}\%$   
 per annum from January 1 of the preceding calendar year to the date

when said principal sum becomes due and payable or when such event of default occurs, shall then be due and payable. Accumulations of interest on this Bond shall not bear interest. Except at maturity or in such an event of default, all payments of interest shall be in multiples of  $\frac{1}{8}$  of 1% of the principal amount hereof and no interest shall be required to be paid on this Bond on any interest payment date if the amount then payable would be less than  $\frac{1}{8}$  of 1% of the principal sum hereof, and any amount available for interest not payable because of this provision shall be reserved and added to the amount available for, or payable on account of, interest on the next date on which interest shall be paid.

The principal of, premium if any, and interest on this Bond are payable at the office or agency of the Company in the City of Savannah, State of Georgia, or, at the option of the registered holder hereof, such principal and premium are payable at the office or agency of the Company in the Borough of Manhattan, City and State of New York.

This Bond is one of the General Mortgage Bonds of the Company (herein referred to as the "Bonds"), not limited in aggregate principal amount except as provided in the Mortgage, issued and to be issued under, and all equally and ratably secured by, an indenture of mortgage dated as of January 1, 1948 (herein referred to as the "Mortgage"), duly executed and delivered by the Company to The Citizens and Southern National Bank, as Trustee, and its successors in trust (which Trustee and its successors in trust are hereinafter referred to as the "Trustee"), to which Mortgage and all indentures supplemental thereto reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security, the rights of and restrictions upon the Company and the holders of the Bonds in respect of such security, the rights, duties and immunities of the Trustee and the terms and conditions under which the Bonds are, and may be, issued and secured. By the terms of the Mortgage, the Bonds may be for various principal sums and are issuable in series, and the Bonds of any series may differ from the Bonds of any other series as to denomination, date, maturity, interest rate, redemption, sinking fund provisions and otherwise, all as in the Mortgage provided. Bonds of Series B, of which this is one, are designated as "General Mortgage 4½% Income Bonds, Series B, due January 1, 2020", and the aggregate principal amount thereof is unlimited.



If an event of default as defined in the Mortgage shall occur, the principal of this Bond may be declared or may become due and payable prior to the stated date of maturity hereof in the manner, with the effect and subject to the conditions provided in the Mortgage.

The Mortgage contains provisions permitting the Company and the Trustee at any time or times, with the consent of the holders of not less than 66 $\frac{2}{3}$ % in aggregate principal amount of the Bonds then outstanding and to be directly affected thereby, evidenced as in the Mortgage provided, and with the approval of the Interstate Commerce Commission or other public regulatory body having jurisdiction in the premises, to modify or alter in any manner any of the provisions of the Mortgage or of any indenture supplemental thereto or the rights of the holders of the Bonds and coupons to be directly affected thereby or the rights and obligations of the Company; provided, however, that no such modification or alteration shall (i) permit the creation by the Company of any mortgage or other lien in the nature of a mortgage ranking prior to or on a parity with the lien of the Mortgage or of any indenture supplemental thereto, with respect to any property covered thereby, otherwise than as permitted by the Mortgage, or (ii) effect a reduction of the percentage required for any action authorized to be taken by the holders of the Bonds, or (iii) alter or impair the obligation of the Company with respect to the determination and application of income available for interest on the Bonds, or (iv) alter or impair the obligation of the Company to pay the principal of or the interest on this Bond at the time and place and in the manner specified in this Bond, unless the holders of at least 75% in aggregate principal amount of all of the Bonds affected by such modification at the time outstanding, evidenced as in the Mortgage provided, and with the approval of the Interstate Commerce Commission or other public regulatory body having jurisdiction in the premises, shall have consented (a) to postpone the time or times of payment of any principal of or any fixed or unpaid accumulated contingent interest on any or all series of Bonds then outstanding for a period of not exceeding 25 years beyond the original date of maturity of the principal of such Bonds or (b) to the creation of any mortgage or lien in the nature of a mortgage ranking prior to or on a parity with the lien of the Mortgage.

This Bond is subject to redemption at the option of the Company at any time prior to maturity, or on April 1 of any year through

the operation of the Sinking Fund or Debt Retirement Fund hereinafter mentioned, at a redemption price equal to the principal amount thereof plus (1) interest at the rate of  $4\frac{1}{2}\%$  per annum thereon for the last preceding calendar year, if not theretofore paid, (2) all unpaid accumulated interest thereon for years prior to the last preceding calendar year, not exceeding  $13\frac{1}{2}\%$ , and (3) interest at the rate of  $4\frac{1}{2}\%$  per annum thereon from the end of the last preceding calendar year to the date of redemption.

The Bonds of Series B are entitled to the benefits of annual payments into the Series A and Series B Sinking Fund out of Available Net Income, if any, as defined and made applicable for such purposes under the terms of the Mortgage, and to the benefits of payments into the Debt Retirement Fund as provided in the Mortgage.

This Bond is transferable by the registered holder hereof in person (or by his attorney duly authorized in writing) at the office or agency maintained by the Company in said City of Savannah, or, at the option of the registered holder, at the office or agency maintained by the Company in said Borough of Manhattan, on registry books kept for such purpose at such offices or agencies, but only in the manner, subject to the limitations, upon payment of the charges provided in the Mortgage, and upon surrender and cancellation of this Bond. Upon any such transfer a new registered Bond or Bonds without coupons of the same series and maturity date and of authorized denominations for the same aggregate principal amount will be issued to the transferee in exchange therefor.

The Company, the Trustee, any paying agent and any bond registrar may deem and treat the registered holder hereof as the absolute owner of this Bond (whether or not this Bond shall have become due and payable), for the purpose of receiving any payment then being made of or on account of the principal hereof, and interest hereon, and for all other purposes, and neither the Company nor the Trustee nor any paying agent nor any bond registrar shall be bound by any notice to the contrary.

The Bonds of this Series are issuable in denominations of \$1,000, \$500 and \$100, and, with the consent of the Company, in denominations in excess of \$1,000, and, upon presentation thereof for that purpose at the office or agency of the Company in the City of Savannah or in said Borough of Manhattan, are interchangeable in authorized denomina-

tions in the manner, subject to the limitations and upon payment of the charges, provided in the Mortgage, provided, however, that Bonds of this Series may not be exchanged for Bonds of lesser denominations. Each registered Bond without coupons of this Series delivered pursuant to the exercise of such privilege of exchange shall carry all of the rights to interest which were carried by this Bond at the time of such exchange.

As provided in the Mortgage, no recourse shall be had for the payment of the principal of or interest on this Bond, or for any claim based hereon, or because of the creation of indebtedness represented hereby, or otherwise in respect hereof, or based on or in respect of the Mortgage or any indenture supplemental thereto, against any past, present or future incorporator, stockholder, officer or director, as such, of the Company or of any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

This Bond shall not be valid or become obligatory for any purpose unless and until the certificate of authentication hereon shall have been signed by the Trustee.

IN WITNESS WHEREOF, Central of Georgia Railway Company has caused this Bond to be signed by its President or one of its Vice Presidents, and its corporate seal or a facsimile thereof to be affixed hereto or imprinted or engraved hereon and attested by its Secretary or an Assistant Secretary, and this Bond to be dated

CENTRAL OF GEORGIA RAILWAY COMPANY

By.....  
*President.*

Attest:

.....  
*Secretary.*

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION  
ON BONDS OF ALL SERIES]

TRUSTEE'S CERTIFICATE OF AUTHENTICATION.

This is one of the Bonds of Series ..... described in the within-mentioned Mortgage.

-----  
*As Trustee*

By-----  
*Authorized Officer*

and

WHEREAS, the Bonds of series other than Series A and Series B are to be substantially in the forms hereinabove set forth for the Bonds of Series A and Series B, but with such omissions, insertions and variations as may be authorized and permitted by the Mortgage; and

WHEREAS, the execution and delivery of the Mortgage have been authorized by resolutions duly adopted by the stockholders and Board of Directors of the Company; and

WHEREAS, all acts and things prescribed by law and by the articles of incorporation and by-laws of the Company necessary to make the Bonds of Series A and Series B when executed by the Company and authenticated by the Trustee, as in the Mortgage provided, valid, binding and legal obligations of the Company, and to make the Mortgage a valid and binding mortgage to secure the payment of the Bonds, have been performed, and the execution and delivery of the Mortgage have been duly authorized in all respects;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of, premium if any, and interest on all the Bonds at any time issued and outstanding hereunder, accord-

ing to their tenor and effect, and the performance and observance of the covenants and conditions contained in the Bonds and in the Mortgage, and in consideration of the premises and the acceptance by the Trustee of the trusts hereby created, and of the acceptance of the Bonds (and coupons, if any) by the holders thereof, and of the sum of One Dollar in hand paid by the Trustee to the Company upon the execution and delivery of the Mortgage, receipt whereof is hereby acknowledged, the Company has granted, bargained, sold, conveyed, released, confirmed, mortgaged, pledged, assigned, transferred and set over, and by these presents does grant, bargain, sell, convey, release, confirm, mortgage, pledge, assign, transfer and set over, unto the Trustee, and to its successor or successors in the trust, and their assigns forever, subject to the terms of the Mortgage, all and singular the following described property, rights, privileges and franchises of the Company:

FIRST. All of the Company's right, title and interest in and to all and singular the lines of railroad now owned or operated by the Company, including specifically but not exclusively the following:

*Group A: Main lines:*

	Miles
Item (1). From Savannah, Georgia, to Atlanta, Georgia, running through the following counties in the State of Georgia: Chatham, Effingham, Screven, Jenkins, Burke, Jefferson, Washington, Wilkinson, Jones, Bibb, Monroe, Lamar, Spalding, Henry, Clayton and Fulton....	292.96
Item (2). From Birmingham, Alabama, to Americus, Georgia, via Columbus, Georgia, running through the following counties in the State of Alabama: Jefferson, Shelby, Talladega, Clay, Coosa, Tallapoosa, Chambers, Lee and Russell, and through the following counties in the State of Georgia: Muscogee, Chattahoochee, Marion, Schley and Sumter.....	208.98
Item (3). From Griffin, Georgia to Belt Junction, Tennessee, running through the following counties in the	

	Miles
State of Georgia; Spalding, Fayette, Coweta, Carroll, Haralson, Polk, Floyd, Chattooga, Walker and Catoosa, and through Hamilton County, Tennessee.....	195.12
Item (4). From Columbus, Georgia to Raymond, Georgia, running through the following counties in the State of Georgia: Muscogee, Harris, Meriwether and Coweta; also 264 feet of track running from Newnan, Georgia in Coweta County towards East Point, Georgia	71.75
Item (5). From Montgomery, Alabama, to Eufaula, Alabama, running through the following counties in the State of Alabama: Montgomery, Bulloch and Barbour .....	80.70
Item (6). From Columbus, Georgia, to Andalusia, Alabama, running through Muscogee County, Georgia, and the following counties in the State of Alabama: Russell, Bulloch, Pike, Crenshaw and Covington	138.15
Item (7). From Millen, Georgia, to Augusta, Georgia, running through the counties of Jenkins, Burke and Richmond, in the State of Georgia.....	53.28
Item (8). From Columbia, Alabama, to Hartford, Alabama, running through the counties of Houston, Henry and Geneva in the State of Alabama.....	43.03
Item (9). At Chattanooga, Tennessee: Two parallel tracks, about 3150 feet in length; subject, however, to a certain lease of said tracks from the Railway Company to Chattanooga Station Company dated January 1, 1907 and supplement thereto dated June 1, 1910	.60
Total Miles of Main Track in <i>Group A</i> .....	1,084.57

*Group B: Branch lines:*

	Miles
Item (1). From Gordon, Georgia, to Porterdale, Georgia, running through the following counties in the State of Georgia: Wilkinson, Baldwin, Putnam, Jasper and Newton .....	85.52
Item (2). From East Alabama Junction, Alabama, to Roanoke, Alabama, running through the following counties in the State of Alabama: Lee, Chambers and Randolph .....	36.20
Item (3). From Eufaula, Alabama, to Ozark, Alabama, running through the following counties in the State of Alabama: Barbour and Dale.....	60.00
Item (4). From Barnesville, Georgia, to Thomas-ton, Georgia, running through the following counties in the State of Georgia: Lamar and Upson.....	16.57
Item (5). From Dover, Georgia, to Metter, Georgia, running through the following counties in the State of Georgia: Screven, Bulloch and Candler.....	29.73
Item (6). From Mogul, Georgia, to Athens, Georgia, running through the following counties in the State of Georgia: Bibb, Jones, Jasper, Morgan, Oconee and Clarke .....	102.29
Item (7). From Chickamauga, Georgia, to Durham, Georgia, running through Walker County, Georgia.....	17.30
Item (8). From Henry Ellen, Alabama, to Margaret, Alabama, running through the following counties in the State of Alabama: Jefferson and St. Clair.....	11.55

Miles

Item (9). From Meldrim, Georgia, to Lyons, Georgia, running through the following counties in the State of Georgia: Effingham, Bryan, Evans, Tattnall and Toombs; subject, however, to a certain lease of said branch from the Railway Company to Georgia and Alabama Railway dated March 28, 1896, and the modification and renewal thereof made by Merrel P. Callaway, as Trustee of Central of Georgia Railway Company, to Seaboard Air Line Railroad Company, dated as of August 1, 1946.....	57.48
Total Miles of Main Track in <i>Group B</i> .....	416.64

SECOND. All right, title and interest, legal or equitable, of the Company in any and all other main and branch lines and tracks, cut-off, spur, industrial, switch, connecting, storage, yard or terminal tracks, superstructures, roadbeds, bridges, trestles, culverts, viaducts, buildings, depots, stations, stock yards, warehouses, elevators, car houses, engine houses, freight houses, machine shops and other shops, turntables, fuel stations, water stations, signals, interlocking plants, telegraph and telephone lines, fences, docks, structures and fixtures.

THIRD. All right, title and interest, legal or equitable, of the Company in and to all lands, tenements, hereditaments, easements, rights of way and other real property and interests in real property of whatever kind or description and wherever situated which are used in connection with any of the transportation operations of the Company and in and to all structures, improvements and fixtures thereon.

FOURTH. All rights, title and interest, legal or equitable, of the Company in and to all lots, tracts or parcels of land situate, lying and being in Fulton County, Georgia, referred to in the records of the Company as the Atlanta Belt Line Property, and being parts of Land Lots



Nos. 154, 155, 156, 167 and 168, the said lots, tracts or parcels of land containing collectively 304.33 acres, more or less.

FIFTH. All rights, title and interest, legal or equitable, of the Company in and to those lots, tracts or parcels of land situate, lying and being in St. Clair County, Alabama, referred to in the records of the Company as the St. Clair County Coal Lands; said lots, tracts or parcels of land containing collectively 5,265 acres, more or less, owned in fee by the Company; 3,835 acres, more or less, in which the mineral rights are owned by the Company; and 187 acres, more or less, in which the surface rights are owned by the Company; all subject, however, to a certain lease of said property from the Company to Alabama Fuel and Iron Company dated July 1, 1908 and supplement thereto dated July 26, 1933.

SIXTH. All rights, title and interest, legal or equitable, of the Company in and to any and all mechanical equipment, machinery, tools, implements, furniture, supplies, materials and other chattels which are used in connection with any of the transportation operations of the Company.

SEVENTH. All rights, title and interest, legal or equitable, of the Company in and to Equipment (as defined in Article I) owned by the Company, and any and all additions, betterments and improvements thereto, including all right, title and interest now or hereafter vested in the Company in and to any and all such property now or hereafter leased to or possessed by the Company under any Equipment Obligation.

EIGHTH. The following described shares of capital stock of other corporations now owned by the Company and delivered to the trustee of the First Mortgage upon the execution and delivery of the Mortgage:

Name of Company	Number of Shares	Total Par Value
Albany Passenger Terminal Company.....	547	\$ 54,700
Atlanta Terminal Company.....	500	50,000
Augusta and Summerville Railroad Co.....	500	50,000
Birmingham Terminal Company.....	250	25,000
Central-Villa Company .....	2,000	200,000
Chatham Terminal Company.....	250	25,000
Chattanooga Station Company.....	250	25,000
Macon Terminal Company.....	333	33,300
Ocean Steamship Company of Savannah.....	20,000	2,000,000

NINTH. All of the Company's estate, right, title, interest, terms and remainders of terms, franchises, privileges and rights of action of whatsoever name and nature in law or in equity in and to any and all leases, leasehold rights, joint facilities and other trackage contracts, rights and privileges and amendments and renewals and extensions thereof, acquired by the Company in connection with or relating to the ownership, use or operation by the Company of any lines of railroad, or any terminals or union or other stations, situated along, or at the terminus of, any of the Company's lines of railroad, including specifically but not exclusively the following:

*Group A: Trackage Contracts:*

Item (1). Between the Company and Southern Railway Company, dated June 1, 1907, under which two parallel tracks, one owned by each of the parties, are used jointly as double tracks between Weems, Alabama, and Woodlawn, Alabama, a distance of 6 miles plus 1,850 feet, more or less.

Item (2). Between the Company and Atlanta and West Point Railroad Company, dated March 14, 1929 and March 29, 1947, covering the use by the Company, for the operation of its Columbus-Atlanta passenger trains, of the tracks of Atlanta and

West Point Railroad Company between East Point, Georgia, and Newnan, Georgia, a distance of 32.71 miles.

Item (3). Between the Company and Atlanta and West Point Railroad Company, dated July 1, 1909, under which two parallel tracks, one owned by each of the parties, are used jointly as double tracks by the parties between Atlanta, Georgia, and East Point, Georgia, a distance of 5.65 miles.

Item (4). Between the Company and Southern Railway Company dated April 12, 1917 under which the Company uses, for operation of its passenger trains and engines to and from Birmingham Terminal Station, certain tracks described in Sections 1, 2 and 3 of the granting clause of said agreement.

Item (5). Between the Company and Southern Railway Company, dated June 23, 1933, under which the Company uses, for operation of its revenue passenger trains, the East and West bound main tracks of Southern Railway from Birmingham Terminal Station to a point near Woodlawn, Alabama, Junction, one of said tracks being 11,022 feet in length and the other 11,455 feet in length.

Item (6). Between the Company and Augusta & Summerville Railroad Company, Georgia Railroad, Charleston & Western Carolina Railway Company, and Southern Railway Company, dated March 1, 1899, under which certain tracks in and about Augusta, Georgia, owned by Augusta and Summerville Railroad Company are used as switching tracks.

Item (7). Between the Company and The Western Railway of Alabama dated November 20, 1930, under which the Company uses, for operation of its Roanoke Branch trains, the main line track of The Western Railway of Alabama from Roanoke Junction, Alabama to the east yard limits at Opelika, Alabama, and 173 feet of the Roanoke Junction turnout; a distance of about 2.47 miles.

*Group B: Freight Terminal Contracts:*

Item (1). Between the Company and the St. Louis-San Francisco Railway Company and Illinois Central Railroad Company dated May 16, 1926 in which the Company has an operating or working agreement for joint terminal switching over certain tracks and facilities at Birmingham, Alabama.

Item (2). Between the Company and Birmingham Southern Railroad Company and Illinois Central Railroad Company dated December 6, 1940 whereby the Company uses jointly with other parties to the contract the freight house and freight house tracks of the Birmingham Southern Railroad Company at Birmingham, Alabama.

Item (3). Between the Company and The Western Railway of Alabama dated April 6, 1927 for the joint use and operation of freight yard and freight house facilities at Montgomery, Ala.

Item (4). Between the Company and The Western Railway of Alabama dated March 20, 1930 for the joint use and operation of freight house facilities and joint use of freight yards at Opelika, Alabama.

*Group C: Passenger Terminal Contracts:*

Item (1). Between Albany Passenger Terminal Company and the Company; Atlantic Coast Line Railroad Company, Georgia Northern Railway Company and Albany Northern Railway Company, dated September 2, 1912, under which the Company uses the passenger terminal facilities of the Albany Passenger Terminal Company at Albany, Georgia.

Item (2). Between Atlanta Terminal Company and the Company; Southern Railway Company, Atlanta and West Point Railroad and Seaboard Air Line Railway Company, dated June 1, 1903, under which the Company uses the passenger terminal facilities of the Atlanta Terminal Company at Atlanta, Georgia.

Item (3). Between Augusta Union Station Company and the Company; Southern Railway Company; Atlantic Coast Line

Railroad Company and Georgia Railroad, dated August 1, 1903, under which the Company uses the passenger terminal facilities of the Augusta Union Station Company at Augusta, Georgia.

Item (4). Between Birmingham Terminal Company and the Company; Southern Railway Company; Alabama Great Southern Railway Company; Illinois Central Railroad Company; St. Louis-San Francisco Railway Company and Seaboard Air Line Railway Company, dated March 1, 1907 under which the Company uses the passenger terminal facilities of the Birmingham Terminal Company at Birmingham, Alabama.

Item (5). Between Chattanooga Station Company and the Company; Southern Railway Company; Cincinnati, New Orleans and Texas Pacific Railway Company and Alabama Great Southern Railway Company, dated January 1, 1947, under which the Company uses the passenger terminal facilities of the Chattanooga Station Company at Chattanooga, Tennessee.

Item (6). Between Macon Terminal Company and the Company; Southern Railway Company; Georgia, Southern and Florida Railroad Company; Georgia Railroad and Macon, Dublin and Savannah Railroad Company, dated July 1, 1915, under which the Central uses the passenger terminal facilities of the Macon Terminal Company at Macon, Georgia.

*Group D: Other Contracts:*

Item (1). Between the Company and Alabama Fuel & Iron Company, dated respectively, July 1, 1908, and supplement thereto dated July 26, 1933, under which Alabama Fuel & Iron Company mines on a royalty basis coal lands situate in St. Clair County, Alabama, and owned by the Company.

Item (2). Between the Company and Railway Express Agency, dated March 1, 1929, for the transportation of express shipments over the lines of the Company.

Item (3). Between the Company and Fruit Growers Express Company, dated February 12, 1942, under which Fruit Growers Express Company furnishes to the Company refrigerator cars for the movement of perishable traffic.

Item (4). Between the Company and The Pullman Company, dated July 14, 1947, for the operation of sleeping cars over the lines of the Company.

TENTH: Any and all right, title and interest of every name and nature of the Company in and to any and all telegraph, telephone or other communication facilities; and the rights and agreements covering the rights to the use of any and all telegraph, telephone or other communication facilities along the Company's lines of railroad, as they may be used from time to time or subject to use by the Company.

ELEVENTH: Any and all corporate rights, powers, franchises, privileges and immunities now owned or possessed by the Company.

TWELFTH: All property of every kind and description which may hereafter be acquired by the Company whether real, personal, or mixed, whether tangible or intangible, and whether of present or future interests, including, without limitation, franchises, leaseholds, stocks, bonds and other securities, except that (1) it is not intended to subject to the lien hereof, and this grant shall not be deemed to apply to, (a) any securities of Fruit Growers Express Company, Railway Express Agency Inc. or The Pullman Company or any securities of companies rendering similar services to carriers, or (b) any securities of Central of Georgia Motor Transport Company or Empire Land Company, and any securities of any other corporation owned by the Company at the date of the execution hereof which are not expressly described in these granting clauses and (2) if the Company shall acquire the properties of, shall be consolidated with, shall be merged into, or shall sell its assets substantially as an entirety to, another railroad corporation having annual railway operating revenues of \$1,000,000, or more such properties so acquired by the Company or theretofore owned or thereafter acquired by any company (other than a subsidiary wholly owned by the Company at the date of the execution hereof) into or with which the Company shall be merged or consolidated or to which the Company shall sell its

properties substantially as an entirety shall be subject to the lien of the Mortgage if but only if such properties

(i) be appurtenant or incident to properties then subject to the lien of the Mortgage, or

(ii) consist of any line of railroad or securities representing control of any line of railroad which

(a) will displace any line of railroad subject to the Mortgage, or

(b) will adversely affect the use theretofore made of any line of railroad subject to the Mortgage, or

(c) will have the effect of diverting traffic from any line of railroad subject to the Mortgage, or

(iii) will be within the provisions of the maintenance or replacement covenants of the Mortgage, or

(iv) shall have been acquired, in whole or in part, by the use of Bonds or General Mortgage Bonds or monies deposited under the Mortgage or General Mortgage.

THIRTEENTH. All property of every kind and description, in addition to that above described, which, at any time hereafter, by indenture or indentures supplemental hereto, or other instruments of transfer, may be expressly conveyed, mortgaged or pledged, delivered, assigned or transferred to the Trustee hereunder by the Company or by a successor corporation, or with its consent by anyone in its behalf, as and for additional security or substitute security for the Bonds issued and to be issued hereunder, the Trustee being hereby authorized at any time and at all times to receive any such conveyance, mortgage, pledge, delivery, assignment or transfer and to hold and apply any and all such properties subject to the trusts of the Mortgage; provided that any such conveyance, mortgage, pledge, delivery, assignment or transfer made pursuant to the provisions of this granting clause THIRTEENTH, as and for additional security or substituted security, may be made subject to any liens, reservations, limitations, conditions and provisions, consistent with the provisions of the Mortgage, which shall be

specified or set forth in such supplemental indenture or instrument of transfer.

FOURTEENTH. All property which may now or at any time hereafter be subject to the lien of the Company's First Mortgage, it being the intention that the First Mortgage shall constitute a lien prior to the lien of the General Mortgage on all property which may at any time be subject to the lien of said General Mortgage, except moneys held in trust by the trustee of the General Mortgage under any of the provisions thereof.

FIFTEENTH. All rents, issues, tolls, profits and other income from the premises and property herein or hereafter mortgaged, and conveyed or assigned, or intended so to be.

For the purposes of the foregoing granting clauses FIRST to FIFTEENTH, inclusive:

(1) The "Company's lines of railroad" shall be deemed to include any main or branch or cut-off lines of railroad, and any and all main, branch, second, spur, side, industrial, switch, connecting, storage, yard, terminal, passing and shop tracks and turnouts, which the Company may own, either solely or jointly, or over which the Company may operate or have any right to operate under any lease, trackage or operating agreement;

(2) Out of the grants hereby made, the last day of the term of each leasehold estate (whether created orally or by written instrument) now or hereafter enjoyed by the Company is hereby excepted and reserved, whether falling within the general or particular description of property herein described;

(3) It is not intended to subject to the lien hereof, and this grant shall not be deemed to apply to

(a) any rents, issues, tolls, profits or other income from the premises and property herein or hereafter mortgaged and conveyed or assigned, or

(b) any cash, government securities, federal, state or local, or bills, other temporary cash investments, notes or accounts



receivable (except cash, government securities or bills, notes or accounts receivable deposited or required to be deposited with the Trustee pursuant to any of the provisions of the Mortgage) and any other Securities purchased solely for investment, or

(c) any materials or supplies,

unless and until one or more of the Events of Default enumerated in Section 2 of Article XV hereof shall have occurred; but, upon the occurrence of any such Event of Default, all such rents, issues, tolls, profits and other income, cash, government securities, bills, notes and accounts receivable, materials and supplies shall immediately become subject to the lien hereof to the extent permitted by law;

(4) The provisions of the Mortgage, including those in the foregoing granting clauses FIRST to FIFTEENTH, inclusive, shall be construed, and the lien of the Mortgage at any time shall be determined, in conformity with the following restrictions and rules of construction, which shall prevail over any other provision of the Mortgage in the event of any inconsistency therewith:

(a) Subject to the limitations of Article XI, the provisions of the Mortgage which may reasonably be construed to subject to the lien of the Mortgage property which may be acquired hereafter by the Company, or in which the Company hereafter may acquire an interest, shall be construed as applying to such property, and a liberal scope and effect shall be given to such provisions;

(b) Nothing in the Mortgage, express or implied, is intended or shall be construed to limit the right or power of the Company, which is hereby expressly reserved, to acquire any property or interest therein subject to liens or charges existing thereon at the time of the acquisition thereof, or to create any purchase money mortgage, or other lien or charge on such property or interest in order to finance the cost thereof, or to extend the term of or to refund any such lien or purchase money mortgage;

(c) Nothing in the Mortgage, express or implied, is intended or shall be construed to limit the right or power of the Company,

which is hereby expressly reserved, to consolidate with or merge into, or to convey or lease the mortgaged property as a whole, or substantially as a whole, to another corporation or corporations, or to merge another corporation or corporations into the Company or to acquire property, as a whole or substantially as a whole, of another corporation or corporations, all as provided and with the exceptions contained in clause Twelfth of the granting clauses and upon the terms and conditions set forth in Article XI hereof;

(d) Nothing in the Mortgage, express or implied, is intended or shall be construed to limit the right or power of the Company, which is hereby expressly reserved, to subject to an Equipment Obligation (by transfer to a trustee thereunder, or otherwise) any Equipment constructed or acquired for its use, at any time within two years from the date the same is so constructed or acquired, if such Equipment Obligation is created for the purpose of providing for, or reimbursing the Company for, in whole or in part, the cost of such construction or acquisition, and if such Equipment has not theretofore been made the basis for the authentication and delivery of any Bonds or First Mortgage Bonds or the withdrawal of cash held by the Trustee of the Mortgage under any provision thereof or by the trustee of the First Mortgage under any provision thereof. The lien of the Mortgage shall attach to the right, title and interest of the Company then or thereafter existing in such Equipment, subject only to such Equipment Obligation; and

(e) Nothing in the Mortgage, express or implied, is intended or shall be construed to limit the right or power of the Company, which is hereby expressly reserved, to use and apply any of its materials and supplies in the routine maintenance and repair of railroad equipment, whether owned by the Company or by any other railroad, after one or more Events of Default enumerated in Section 2 of Article XV hereof shall have occurred and be continuing.

TO HAVE AND TO HOLD the premises, railroads, railroad property, appurtenances, rights, privileges, franchises, estates, leaseholds, securities and other property, real, personal and mixed, hereby granted

bargained, sold, conveyed, released, confirmed, mortgaged, pledged, assigned, transferred or set over, or intended so to be or which may in any manner become subject to the lien of the Mortgage by indentures supplemental hereto or otherwise (all of which property at any given time subject to the lien of the Mortgage, whether by the terms of the Mortgage, including the after-acquired property clauses thereof, or by subsequent conveyance, delivery or pledge to the Trustee, or otherwise, is herein sometimes referred to as the "mortgaged property") unto the Trustee, its successor or successors in trust and its assigns, forever;

SUBJECT, HOWEVER, to the following:

(1) The prior lien of the Company's First Mortgage, as defined in Article I, upon all of the mortgaged property except moneys held in trust by the Trustee under any of the provisions of the Mortgage;

(2) The prior rights, charges, lien and title under the following Equipment Obligations assumed by the Company in accordance with the Plan and the orders of the Court covering the following described Equipment:

(a) Central of Georgia Equipment Trust, Series T, formed July 1, 1937, covering the following equipment:

- 5 passenger coaches, numbered 650 to 654, both inclusive;
- 3 express cars, numbered 450, 451 and 452;
- 594 box cars, numbered 4000 to 4009, 4011 to 4037, 4039 to 4203, 4205 to 4309, 4311 to 4325, 4327 to 4352, 4355 to 4499, and 5000 to 5099, all inclusive; and
- 15 pulpwood cars, numbered 12109 to 12123, inclusive.

(b) Central of Georgia Equipment Trust, Series U, formed October 1, 1946, covering the following equipment:

- 2 diesel switching locomotives, numbered 31 and 32;
- 100 pulpwood cars, numbered 10165 to 10264, both inclusive;
- 8 diesel roadway locomotives, numbered 801 to 808, both inclusive;
- 6 baggage and express cars, numbered 453 to 458, both inclusive;

2 baggage and mail cars, numbered 473 and 474; and  
10 passenger cars, numbered 390, 540 to 543, both inclusive,  
660 to 663, both inclusive, and 690.

(c) Conditional Sale Agreement, dated as of November 15, 1946, between American Locomotive Company and Merrel P. Callaway, as Trustee of the property of Central of Georgia Railway Company, assigned to The Citizens and Southern National Bank, covering the following equipment:

2 diesel switching locomotives, numbered 33 to 34.

(d) Conditional Sale Agreement, dated as of December 1, 1946, between The Budd Company and M. P. Callaway, as Trustee of the property of Central of Georgia Railway Company, assigned to The Citizens and Southern National Bank, covering the following equipment:

A four-car streamlined train, consisting of 1 passenger-baggage car named Fort Mitchell, 2 coaches named, respectively, Fort Oglethorpe and Fort McPherson, and 1 lounge-observation car named Fort Benning.

(e) Conditional Sale Agreement, dated as of April 1, 1947, between Pullman-Standard Car Manufacturing Company and M. P. Callaway, as Trustee of the property of Central of Georgia Railway Company, assigned to Hamilton National Bank of Chattanooga, covering the following equipment:

200 pulpwood cars, numbered 10265 to 10464, both inclusive.

(f) Conditional Sales Agreement, dated as of November 15, 1947, between General Motors Corporation, Electro-Motive Division, and M. P. Callaway, as Trustee of the property of Central of Georgia Railway Company, assigned to The Citizens and Southern National Bank covering the following equipment:

4 1500 h. p. Diesel freight locomotives, Nos. 901 to 904, both inclusive.

under which Equipment Obligations the unpaid balance of outstanding obligations as of the close of business on December 31, 1947, aggregated \$4,063,518.79 in principal amount; and

(3) All and singular the other matters hereinabove set forth in the granting clauses hereof and to Permitted Encumbrances as defined in Article I but only to the extent that the same shall constitute a prior lien or charge of record against any part of the mortgaged property;

BUT IN TRUST NEVERTHELESS, upon the terms and conditions of the Mortgage, for the equal and proportionate benefit and security (except as provided in Section 1 of Article XV) of all present and future holders of Bonds and coupons, according to their tenor, purport and effect, without preference, priority or distinction (except as provided in said Section 1 of Article XV) as to lien or otherwise; so that (except as aforesaid) each and every Bond and coupon shall have the same right, lien and privilege under the Mortgage and shall be equally and ratably secured thereby in accordance with the provisions of the Mortgage;

AND IT IS HEREBY COVENANTED AND DECLARED that all of the Bonds and coupons for interest thereon, if any, are to be issued, authenticated and delivered, and that the mortgaged property is to be held and disposed of by the Trustee, upon and subject to the following covenants, conditions, uses and trusts:

## ARTICLE I.

### Definitions.

The terms defined in this Article I (unless otherwise expressly provided or unless the context otherwise requires) shall have the following meanings, respectively:

"Additions and Betterments" shall mean additional Fixed Property and improvements, extensions and betterments to Fixed Property of the Company becoming subject to the lien of the Mortgage and acquired or constructed by the Company after the date of the execution hereof and improvements, extensions, betterments and additions, made after the date of the execution hereof, to Fixed Property leased to

the Company under a lease, pledged under this Mortgage, without right of cancellation by the lessor except in the event of default by the lessee, which either provides for a term extending at least to January 1, 2046 or, extending at least 40 years, gives the Company the right to be reimbursed in respect of any such expenditures upon termination or in default thereof to continue in possession under the terms thereof until so reimbursed, the cost of which, at the time of acquisition or construction, was properly chargeable to Capital Accounts, except:

- (a) Purchased Property; and
- (b) Such improvements, extensions, betterments and additional Fixed Property as:
  - (1) Were acquired or constructed through grants or donations or expenditures from the application of funds pursuant to Section 17 of Article VIII or the application of funds made available by charges to operating expenses on account of service losses on non-depreciable mortgaged road property retired and replaced; or
  - (2) Were acquired from the Lessors; or
  - (3) Are subject to any Prior Lien.

“Application” shall mean a letter or other instrument in writing dated not more than 30 days prior to its delivery to the Trustee, and signed by the President or a Vice President of the Company and by either (a) the Secretary or an Assistant Secretary of the Company, or (b) the Chief Accounting Officer of the Company, setting forth briefly the nature of the matter or action covered by the application, referring to the particular provision or provisions of the Mortgage upon which the application is based, and enumerating the resolutions, certificates, opinions, securities, cash, instruments of transfer and other papers and documents or property delivered or to be delivered to the Trustee with or in connection with such application.

“Available Net Income” for any calendar year shall mean the income of the Company for such year available for fixed charges

adjusted by deducting therefrom the fixed charges of the Company for such year, subject to the following:

(a) Income of the Company available for fixed charges and the deductions required to be made therefrom shall be determined in accordance with the Uniform System of Accounts applicable to such year, except that (i) there shall be added thereto such amounts as shall have been charged to operating expenses during such year representing the service value (i.e. the ledger value less the value of salvage, if any) of any non-depreciable road property retired and not replaced, (ii) there shall be deducted therefrom any amounts, not already deducted in accordance with the Uniform System of Accounts, which may be payable or applicable as a sinking fund or sinking funds for any First Mortgage Bonds, other than First Mortgage Bonds of Series A, or for any other Debt Securities of the Company for which an unconditional sinking fund or sinking funds, payments into which are not dependent upon the amount of Available Net Income, shall have been provided, (iii) if the Available Net Income for any year be a deficit, the amount of such deficit shall be carried forward and be deducted in determining Available Net Income for the succeeding calendar year or years until such deficit or accumulated or remaining deficits shall be extinguished by earnings which, in the absence of such deficit or deficits, would be Available Net Income, and (iv) if within 90 days after the close of any calendar year the Board of Directors of the Company by resolution so determine, there shall be deducted all or part of any amount by which 2% of the consolidated railway operating revenues of the Company and its wholly owned Railroad Subsidiaries may exceed that part of the total amount charged during such calendar year to operating expenses by the Company and its wholly owned Railroad Subsidiaries on account of depreciation and amortization of road property which does not represent amounts paid lessor companies for depreciation on leased road property;

(b) In determining income of the Company for any year any adjustment necessary to correct the income account for any prior year shall be made by appropriate entries and may be

made either in the accounts of the current year (unless in violation of the applicable orders, instructions and regulations) or, in the discretion of the Board of Directors and subject to any requisite approval of the Interstate Commerce Commission or other public regulatory body having jurisdiction, may be made in whole or in part in the accounts of any subsequent year or years; and in determining Available Net Income for any year any such entries made in the accounts of that year to adjust the income accounts of prior years, whether cleared through income or profit and loss accounts, shall be treated as items affecting the income accounts for the year in which they are entered on the books, *provided, however*, that in determining Available Net Income for any year no adjustments necessary to correct the income account of any prior year need be taken into account except to the extent that cash shall have been received or paid or set aside for payment by the Company in respect thereof in such year, or prior to April 15 in the next succeeding year, and *provided, further*, that if prior to April 15 in any year the Board of Directors shall determine that a substantial liability exists which would have reduced the Available Net Income for the preceding calendar year or years if such liability had been accrued in such year or years, then all or such portion of such liability as the Board of Directors shall determine may be deducted in arriving at the Available Net Income for the preceding calendar year, in which case such amount so deducted shall not again be deducted in arriving at the Available Net Income for any subsequent year or years;

(c) All computations of Available Net Income shall be made on a calendar year basis and each calendar year shall constitute an income period; and

(d) Available Net Income for any year shall be computed in the same manner as if the Company had come into possession on January 1, 1946, of the properties operated by the Trustee of the Debtor's property and had issued on January 1, 1946, the Bonds of Series A and Series B and all other new securities issuable under the Plan.



"Board of Directors" shall mean the Board of Directors of the the Company as from time to time constituted or, except when the vote of a specified percentage or number of the whole Board of Directors is required, any executive committee or other committee of the Board of Directors which shall be authorized by resolution of the Board of Directors or by the by-laws of the Company to act in place of the Board of Directors during any period or for any purpose germane to the Mortgage.

"Bonded", when used with reference to Bonds, Additions and Betterments, Cost of Additions and Betterments, Net Cost, Purchased Property or Cost of Purchased Property, shall mean that such Bonds, Additions and Betterments, Cost of Additions and Betterments, Net Cost, Purchased Property or Cost of Purchased Property have been made the basis by the Company for (a) the authentication and delivery of any Bonds or First Mortgage Bonds, (b) the release of any property from the lien of the Mortgage or of the First Mortgage or of any Prior Lien, (c) the withdrawal, payment or application of any cash held by the Trustee under any provision of the Mortgage or by the trustee of the First Mortgage or by the trustee or mortgagee of any Prior Lien under any provision thereof, or (d) the surrender or other use, under the provisions of Section 7 or 8 of Article IX of Securities theretofore Bonded; and, when used with reference to Railroad Subsidiary Securities or Prior Lien Bonds, or any securities acquired in substitution therefor, shall mean that such Securities, or any securities acquired in substitution therefor, have been made the basis by the Company for (a) the authentication and delivery of any Bonds or First Mortgage Bonds, or (b) the withdrawal, payment or application of any cash held by the Trustee under any provision of the Mortgage, or by the trustee of the First Mortgage under any provision thereof.

If any Bonds, Additions and Betterments, Purchased Property, First Mortgage Bonds or Prior Lien Bonds, made the basis for any of the foregoing purposes, shall be in excess of the amount required for that particular purpose such excess shall not be deemed to be Bonded.

All of the mortgaged property owned by the Company on the date of the execution and delivery of the Mortgage and all property acquired by the Company from the Lessors shall for all purposes of the Mortgage be deemed to be Bonded.

“Bondholders” shall mean, as of any particular date, all holders of coupon Bonds not registered as to principal and all registered owners of coupon Bonds registered as to principal and all registered owners of registered Bonds without coupons, provided such Bonds, whether coupon or registered, are Outstanding Bonds.

“Bonds” shall mean all bonds of all series which have been authenticated and delivered at any time under the Mortgage when no particular series is specified in the context or, if a particular series is specified, all bonds of such series which have been authenticated and delivered at any time under the Mortgage.

“Capital Accounts” shall mean the following present accounts, or similar accounts performing the functions of said present accounts, maintained by the Company, in accordance with the Uniform System of Accounts:

Account 701—Road and Equipment Property,  
Account 702—Improvements on Leased Property, and  
Account 705—Miscellaneous Physical Property;

except that, the term “Capital Accounts” shall be deemed to include Account 702—Improvements on Leased Property, only to the extent of (1) charges to such account in respect of expenditures for improvements, extensions, betterments and additions, made after the date of the execution hereof, to Fixed Property leased to the Company under a lease, pledged under this Mortgage, without right of cancellation by the lessor except in the event of default by the lessee, which either provides for a term extending at least to January 1, 2046 or, extending at least 40 years, gives the Company the right to be reimbursed in respect of any such expenditures upon termination or in default thereof to continue in possession under the terms thereof until so reimbursed, and (2) credits, in respect of such leased property, improvements,

extensions, betterments and additions thereto, which are retired and replaced.

"Certified Resolution" shall mean a resolution or resolutions certified by the Secretary or an Assistant Secretary of the Company, under its corporate seal, as having been duly adopted by the Board of Directors at a meeting held on a specified date and as being in full force and effect as of the date of certification.

"Chief Accounting Officer" shall mean, as of any particular time, the officer having general supervision over the accounts of the Company.

"Company" shall mean and include not only Central of Georgia Railway Company, the party of the first part to the Mortgage, but also any corporation that shall have complied with the provisions of Article XI and that shall have become a successor corporation as defined in Section 1 of said Article XI.

"Contingent Interest" shall mean with respect to the Bonds, First Mortgage Bonds or other obligations of the Company the interest thereon to the extent that such interest is payable on condition that there is Available Net Income or other funds applicable to such payment.

"Cost," when used with reference to any Purchased Property, shall mean (i) the amount properly charged to Capital Accounts as the cost or investment of the Company therein, except that there shall not be included (a) in the case of Purchased Property which shall be required or permitted by the Uniform System of Accounts to be charged to Capital Accounts at the original cost thereof when first devoted to railroad purposes, the excess of such original cost over the cost or investment of the Company therein, and (b) the aggregate principal amount of any indebtedness secured by Prior Liens thereon, whether or not assumed or guaranteed by the Company, and (ii) when used with reference to "Railroad Subsidiary Securities", shall mean the amount properly charged to investment accounts in accordance with the Uniform System of Accounts as the cost or investment of the Company therein.

"Cost of Additions and Betterments" shall mean the amount properly charged to Capital Accounts as the cost or investment of the Company therein.

"Daily Newspaper" shall mean, with respect to any City or Borough, a newspaper printed in the English language and customarily published on each business day and of general circulation in such City or Borough.

"Debt Securities" shall mean the bonds, notes, certificates of indebtedness and other obligations and claims for the payment of money of any corporation or analogous legal entity other than the Company.

"Engineer" shall mean, as of any particular time, the Chief Engineer of the Company.

"Engineer's Certificate" shall mean a certificate signed and verified by the Engineer and dated not more than 60 days prior to the delivery thereof to the Trustee.

"Equipment" shall mean locomotives, however propelled or operated, passenger, freight, mail, express, baggage or other railway cars, work cars, buses, tractors, trailers, trucks, automobiles, aircraft, boats, vessels, tugs, lighters, floats, barges, ferries and any and all other vehicles and conveyances used for the transportation of passengers, employees, freight, mail, express, baggage and materials by land, air or water.

"Equipment Obligation" shall mean with respect to the Company any obligation or guaranty of the Company (other than Bonds and First Mortgage Bonds), and with respect to a Railroad Subsidiary any obligation or guaranty of such Railroad Subsidiary, issued under and secured by a right, charge, lien or title with respect to Equipment evidenced by an equipment trust agreement, conditional sale agreement, rental agreement, lease, chattel mortgage or other such instrument.

"Event of Default" shall mean any event defined as such in Section 2 of Article XV.

"First Mortgage" shall mean the indenture executed and delivered by the Company to The Liberty National Bank & Trust Company of Savannah, as Trustee, dated as of January 1, 1948, as amended, modified or supplemented from time to time, or any mortgage having a substantially equivalent lien.

"First Mortgage Bonds" shall mean all bonds authenticated and delivered under the First Mortgage.

"Fixed Interest" shall mean, with respect to the Bonds or other obligations of the Company, the interest thereon to the extent that such interest is payable unconditionally.

"Fixed Property" shall mean all property, except Equipment, the cost of which, at the time of acquisition or construction, was properly chargeable to Capital Accounts.

"Independent Engineer" shall mean any individual, partnership or corporation engaged in the engineering business and satisfactory to the Trustee, provided such individual, partnership or corporation is in fact independent and neither such individual nor any partner of such partnership nor any officer or director of such corporation is an officer, director or employee of the Company or of any Railroad Subsidiary, or any company controlling the Company.

"Independent Engineer's Certificate" shall mean a certificate signed and verified by an Independent Engineer and dated not more than 60 days prior to the delivery thereof to the Trustee, and which conforms to the requirements of Section 2 of Article XIX, when applicable.

"Lessors" shall mean Augusta and Savannah Railroad, The Chattahoochee & Gulf Railroad Company and South Western Railroad Company.

"Mortgage" shall mean this indenture as originally executed or as the same may be supplemented, modified or amended from time to time.

"Net Cost", when used in any application with respect to Additions and Betterments, shall mean the Cost of Such Additions and Betterments less credits to the Capital Accounts of the Company made subsequent to December 31, 1947 in respect of Fixed Property retired subsequent to December 31, 1947 other than credits in respect of Fixed Property retired and not replaced.

"New Mileage" shall mean main or branch lines of railroad and any and all appurtenances thereto other than the lines of railroad referred to in Group A or Group B of clause First of the granting clauses of the Mortgage.

"Officers' Certificate" shall mean a certificate which is signed and verified by the President or a Vice President and by the Chief Accounting Officer of the Company and dated not more than 60 days prior to the delivery thereof to the Trustee, and which conforms to the requirements of Section 2 of Article XIX, when applicable.

"Opinion of Counsel" shall mean a written opinion of counsel, who shall be satisfactory to the Trustee and who may be counsel for the Company, and dated not more than 60 days prior to the delivery thereof to the Trustee, and which conforms to the requirements of Section 2 of Article XIX, when applicable.

"Outstanding Bonds" shall mean, as of any particular date, all Bonds of all series when no particular series is specified in the context, or all Bonds of any specified series, whether in the form of coupon Bonds or registered Bonds without coupons or both, authenticated and delivered by the Trustee under the Mortgage, except, with respect to all Bonds of all series or all Bonds of any specified series, as the case may be:

(a) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(b) Bonds for the payment or redemption of which moneys in the necessary amount shall have been deposited in trust with the Trustee, provided that such moneys shall be available to the

holders of such Bonds and that notice of such availability shall have been duly published, or provision satisfactory to the Trustee shall have been made for such publication, as provided in Article IV;

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the provisions of Section 7 of Article II; and

(d) Bonds then owned by the Company, other than Bonds pledged by the Company, as evidenced by an Officers' Certificate delivered to the Trustee.

"Outstanding First Mortgage Bonds" shall mean, as of any particular date, all First Mortgage Bonds of all series when no particular series is specified in the context, or all First Mortgage Bonds of any specified series, authenticated and delivered by the trustee under the First Mortgage, except, with respect to all First Mortgage Bonds of all series or all First Mortgage Bonds of any specified series, as the case may be:

(a) First Mortgage Bonds theretofore redeemed or cancelled;

(b) First Mortgage Bonds for the payment or redemption of which moneys in the necessary amount shall have been deposited in trust with the Trustee or with the trustee of the First Mortgage, provided that such moneys shall be available to the holders of such First Mortgage Bonds and that notice of such availability shall have been duly published, or provision shall have been made for such publication, to the satisfaction of the Trustee;

(c) Lost, stolen, mutilated or destroyed First Mortgage Bonds in lieu of or in substitution for which other First Mortgage Bonds shall have been issued;

(d) First Mortgage Bonds deposited and pledged with the Trustee; and

(e) First Mortgage Bonds then owned by the Company, other than First Mortgage Bonds pledged by the Company, as evidenced by an Officers' Certificate delivered to the Trustee.

"Permitted Encumbrances" shall mean, as of any particular time, any of the following:

(a) Liens for taxes, assessments or governmental charges not then delinquent; liens for workmen's compensation awards and similar obligations not then delinquent; liens or encumbrances in connection with litigation against the Company concerning claims for personal injuries or damages to property arising out of the operation of its business if entitled to priority over the lien of the Mortgage by operation of law; other liens not exceeding \$100,000 in the aggregate arising out of litigation against the Company; liens for the payment or discharge of which provisions satisfactory to the Trustee have been made; mechanics', laborers', materialmen's and similar liens not then delinquent; any of such liens irrespective of amount, whether or not delinquent, the validity of which is being contested at the time by the Company in good faith by appropriate proceedings; and undetermined liens or charges incidental to construction not at the time due;

(b) Liens securing indebtedness neither payable nor assumed nor guaranteed by the Company, nor on which it customarily pays interest, on property with respect to which the Company owns easements or rights of way;

(c) Rights reserved to or vested in any governmental authority or agency or in any municipality by the terms of any franchise, grant, license or permit or by any provision of law to terminate such franchise, grant, license or permit, or to purchase or appropriate or recapture, or to designate a purchaser of, any of the mortgaged property; or to demand and collect any tax or other compensation for the use of streets or other public places or to control or regulate the mortgaged property;

(d) Any obligation or duty affecting the mortgaged property, or the uses, removal, control or regulation thereof by any



public authority, under any franchise, grant, license or permit or provision of law;

(e) Rights of lessees under leases from the Company, and interests of others than the Company in property owned jointly or in common; and

(f) Easements, rights of way, exceptions, reservations, restrictions, conditions, limitations, covenants, adverse rights or interests and any other defects or irregularities in title affecting the mortgaged property which do not materially affect the use of the mortgaged property for the purposes for which it is held by the Company, as the case may be, and may be properly ignored as to their effect upon the security of the Mortgage. Any Opinion of Counsel required by the Mortgage may recite that, as to the matters covered by this clause (f), it is based upon a written statement of the Engineer.

“Plan” means the plan of reorganization of the Company referred to in the third preamble to the Mortgage.

“Prior Lien” shall mean any lien prior to the lien of the Mortgage, except the First Mortgage, Equipment Obligations and Permitted Encumbrances which may be (1) existing or placed on any property at the time of the acquisition thereof by the Company or (2) placed on any property of the Company pursuant to any provision of the Mortgage or (3) existing or placed on any property leased to the Company if the lease of such property be subject to the lien of the Mortgage.

“Prior Lien Bonds” shall mean any indebtedness or obligation secured by a Prior Lien.

“Purchased Property” shall mean lines of railroad or railroad terminals, including the Equipment thereof and bridges, purchased or acquired by the Company from others, except such as is acquired under the Plan.

“Railroad Subsidiary” shall mean any corporation owning one or more lines of railroad, bridges or railroad terminals, deemed by the Board of Directors to be necessary or useful in connection with the operation of the Company's system, of which at least 50% of the total

outstanding shares of capital stock having general voting rights is owned by the Company or will be owned by the Company as a result of an acquisition in respect of which an Application for the authentication and delivery of Bonds is made.

“Railroad Subsidiary Securities” shall mean the bonds, notes or stock of any “Railroad Subsidiary”.

“Refundable Obligations” shall mean (a) any Bonds of any series, (b) any First Mortgage Bonds, and (c) any Prior Lien Bonds.

“Securities” shall mean Debt Securities or Stocks or both.

“Stocks” shall mean any proprietary interest in a corporation or other analogous legal entity or certificates evidencing the same.

“Trustee” shall mean The Citizens and Southern National Bank or any successor trustee under the Mortgage.

“Uniform System of Accounts” shall mean (a) the system of accounts for steam railroads prescribed by the Interstate Commerce Commission, and the instructions, interpretations, regulations and orders of the Interstate Commerce Commission thereunder, in effect at the date of the execution and delivery of the Mortgage or as thereafter modified, or (b) any other system of accounts thereafter prescribed by the Interstate Commerce Commission or by any other public regulatory body having similar jurisdiction over the accounts of the Company, or (c) to the extent not covered by the systems of accounts referred to in clauses (a) and (b) above, any system of accounts that is in accord with sound accounting principles as determined by a certified public accountant selected by the Company and approved by the Trustee.

## ARTICLE II.

### Description of Bonds.

SECTION 1. The Bonds shall be designated generally as the Company's “General Mortgage Bonds” and may be issued in one or more series as shall be authorized from time to time in the manner provided in the Mortgage.

The authorized aggregate principal amount of Bonds shall be unlimited, except as may be provided hereinafter and except as may be limited by applicable federal and state laws now or hereafter enacted.

SECTION 2. The Bonds of Series A shall be limited in aggregate principal amount to \$1,736,000 and shall be designated "General Mortgage 4½% Income Bonds, Series A, due January 1, 2020". The Bonds of Series B shall be unlimited in aggregate principal amount, shall be designated "General Mortgage 4½% Income Bonds, Series B, due January 1, 2020".

The Bonds of both Series A and Series B shall:

- (a) be dated as of the date of their authentication;
- (b) mature January 1, 2020, unless previously redeemed pursuant to Article IV or Article VI or declared due and payable pursuant to Article XV.
- (c) bear interest at the rate of 4½% per annum from January 1, 1946 (except to the extent paid on or before the date thereof on a principal sum equivalent to the principal sum thereof), until the principal sum thereof becomes due and payable as herein provided, and, if default be made in the payment of said principal sum when so due and payable, thereafter (to the extent permitted by law) at the highest rate of interest borne by any of the Outstanding Bonds until the Company's obligation with respect to the payment of said principal sum shall be discharged as provided in the Mortgage; but (i) until interest on said principal sum becomes fixed as provided in this Section 2, such interest with respect to each calendar year prior to the calendar year 2019 will be payable on the first May 1 following such calendar year when and to the extent that the Available Net Income of the Company, as defined and made applicable to the payment of such Contingent Interest, is adequate therefor under the terms and provisions of the Mortgage, (ii) interest of 4½% on said principal sum for the calendar year 2019 will be paid on January 1, 2020, whether or not the

Available Net Income of the Company for the calendar year 2019 is adequate for the payment of the interest on said principal sum for such calendar year, (iii) to the extent that the Available Net Income of the Company applicable to the payment of interest on such Bonds for any calendar year prior to the year 2019 shall be less than  $4\frac{1}{2}\%$  of said principal sum, such interest shall accrue and accumulate up to but not exceeding  $13\frac{1}{2}\%$  of such principal sum, (iv) to the extent that any interest on such Bonds has accumulated as aforesaid and remains unpaid when said principal sum becomes due and payable or when an Event of Default shall occur, such interest, plus interest reserved as hereinafter provided, interest that has become payable but remains unpaid, and interest (to the extent not otherwise payable) at the rate of  $4\frac{1}{2}\%$  per annum from January 1 of the preceding calendar year to the date when said principal sum becomes due and payable or when such Event of Default occurs, shall then be due and payable, (v) accumulations of interest on such Bonds shall not bear interest, (vi) no interest shall be required to be paid on such Bonds on any interest payment date if the amount then payable would be less than  $\frac{1}{8}$  of 1% of said principal sum, and any amount available for interest not payable because of this provision shall be reserved and added to the amount available for, or payable on account of, interest on the next date on which interest shall be paid, (vii) in the case of registered Bonds without coupons, such interest shall be payable only to the extent not paid on or before the date thereof on an equivalent amount of Bonds, and (viii) after an Event of Default or after said principal sum becomes due and payable as herein provided, such interest shall not be contingent but shall be fixed until said principal sum is paid;

(d) be payable, both as to principal and interest, at the office or agency of the Company in the City of Savannah, State of Georgia, or, as to principal, at the option of the registered owner, at the office or agency of the Company in the Borough of Manhattan, City and State of New York, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts;

(e) be redeemable before maturity at the option of the Company upon the terms stated in Articles IV and VI;

(f) be issued as registered Bonds without coupons in denominations of \$1,000, \$500 and \$100 and, with the consent of the Company, in denominations in excess of \$1,000; be exchangeable as between Bonds of the same Series and as between authorized denominations provided, however, that Bonds of Series A and Series B may not be exchanged for Bonds of Series A and Series B, respectively, of lesser denominations; and be transferable at the office or agency of the Company in the City of Savannah, State of Georgia, or, at the option of the registered owner, at the office or agency of the Company in the Borough of Manhattan, City and State of New York, as provided in Section 5 of this Article II;

(g) provide that each registered Bond without coupons of Series A or Series B delivered, pursuant to the exercise of any privilege of transfer or exchange, or in substitution, for the whole or any part of one or more other Bonds of Series A or Series B, respectively, shall carry all of the rights to interest which were carried by the whole or such part of such one or more other Bonds of Series A or Series B, as the case may be, at the time of transfer, exchange or substitution; and, in the case of registered Bonds without coupons of Series A and Series B, that as to each such Bond delivered upon the exercise of any privilege of transfer or exchange or in substitution, as aforesaid, interest shall be deemed to have been paid on said Bond to the extent paid, made available for payment, or under a provision similar to this deemed to have been paid, on an equal principal amount of the Bond or Bonds for which said Bond was transferred, exchanged or substituted;

(h) be entitled to the benefits of the Series A and Series B Sinking Fund as provided in Section 1 of Article VI, and the Debt Retirement Fund as provided in Article VII; and

(i) be substantially in the respective forms recited in the preambles of the Mortgage, and bear appropriate serial numbers.

**SECTION 3.** The Bonds of series other than Series A and Series B and the coupons, if any, appertaining thereto, shall be substantially in

the forms hereinbefore recited for the Bonds of Series A and Series B, with such omissions, variations and insertions as may be authorized, permitted or required by the Mortgage and as may be prescribed in the supplemental indenture providing for the creation of such other series.

The Bonds, and the coupons, if any, appertaining thereto, may contain such specifications, descriptive words and recitals, and may have such letters, numbers or other marks of identification or designation and such legends or endorsements printed, lithographed or engraved thereon, as the Company may deem appropriate and as are not inconsistent with the provisions of the Mortgage or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Bonds may be listed or to conform to usage.

The several series of Bonds may differ from the Bonds of Series A and Series B and as between series in respect of any or all of the following matters:

- (a) title;
- (b) date;
- (c) date of maturity;
- (d) interest rate, and the extent to which such Contingent Interest shall be cumulative, not, however, in excess of three years' interest and, if the Bonds shall have become due, in addition interest for the last preceding calendar year and for the current year to the date of maturity;
- (e) interest payment dates;
- (f) place or places for and money or moneys for the payment of principal, premium, if any, and of interest;
- (g) whether issuable as registered Bonds without coupons, or as coupon Bonds with or without the privilege of registration as to principal, or both, and the respective denominations of each and the place or places, if any, for registration as to principal of coupon Bonds and for registration and transfer of registered Bonds without coupons and the procedure therefor;
- (h) provisions, if any, for exchanges of coupon Bonds of all or specified denominations for registered Bonds without

coupons, of registered Bonds without coupons of all or specified denominations for coupon Bonds, of coupon Bonds for coupon Bonds of other denominations, and of registered Bonds without coupons for registered Bonds without coupons of other denominations, and the place or places for such exchanges;

(i) limitations, if any, upon the aggregate principal amount of Bonds of the series which may be issued;

(j) provisions, if any, for the payment of principal or interest or both, without deduction for taxes, or for reimbursement of taxes in case of payment thereof by the holders;

(k) provisions, if any, for exchangeability of Bonds of one series for Bonds of another series;

(l) provisions, if any, with regard to any obligation of the Company to permit the conversion of Bonds of any series into stock or other securities of the Company;

(m) provisions, if any, reserving to the Company the right to redeem all or any part of the Bonds of any series before maturity;

(n) provisions, if any, for any sinking fund payments with respect to the Bonds of any series which may be payable out of Available Net Income subordinate to or equally and ratably with, but not prior to the sinking fund payments provided for Bonds of Series B in Article VI but which may in no event be payable prior to or equally with the sinking fund payments provided for Bonds of Series A or First Mortgage Bonds of Series A; and

(o) any other provisions not in conflict with the provisions of the Mortgage.

In authorizing the issue of any series of Bonds (other than Bonds of Series A and Series B), all matters in respect of the Bonds of such series set forth in clauses (a) to (g), inclusive, of this Section 3, and the form of the Bonds and coupons, if any, of such series, shall be determined and specified, and any and all matters permitted by clauses

(h) to (o), inclusive, of this Section 3 may be determined and specified, in a supplemental indenture providing for the creation of such series.

Bonds of any particular series shall be identical except that they may be of different numbers, of different denominations, of different dates, in the form of coupon Bonds or registered Bonds without coupons, and may have serial maturities, in which case the several maturities may differ with respect to redemption price and interest rate.

SECTION 4. The Bonds shall be signed on behalf of the Company by its President or a Vice President, and its corporate seal or a facsimile thereof shall be affixed thereto or imprinted or engraved thereon and attested by its Secretary or an Assistant Secretary. Only such Bonds as shall bear thereon a certificate of authentication executed by the Trustee substantially in the form hereinbefore recited shall be secured by the Mortgage or be entitled to any right or benefit hereunder; and no Bond and no coupon thereunto appertaining shall be or become valid or obligatory for any purpose until such certificate shall have been duly executed on such Bond. Such certificate executed by the Trustee upon any Bond purporting to have been executed by the Company shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered hereunder and is one of the Bonds described in the Mortgage. The Trustee shall not authenticate or deliver any coupon Bond until all matured coupons thereunto appertaining shall have been detached and cancelled, except as otherwise provided in Section 5 or Section 7 of this Article II.

In case any person who, as an officer of the Company, shall have signed any of the Bonds or attested the seal thereon shall cease to be such officer before the Bonds so signed or sealed shall have been authenticated and delivered by the Trustee or disposed of by the Company, such Bonds, nevertheless, may be authenticated, delivered and disposed of as though the person had not ceased to be such officer; and any Bond may be signed on behalf of the Company and the seal of the Company may be attested by such persons as, at the actual date of the execution of the Bond, shall be proper officers of the Company, although at the nominal date of such Bond any such person was not such officer.



The coupons attached to coupon Bonds shall bear the facsimile signature of the present Treasurer or of any future Treasurer of the Company, and for that purpose the Company may use the facsimile signature of any person who shall have been such Treasurer, notwithstanding the fact that at the time when such coupon Bonds shall be authenticated and delivered or disposed of he shall have ceased to be the Treasurer of the Company.

SECTION 5. In all cases in which the privilege of exchanging Bonds of any series exists and is exercised, the Bonds to be exchanged shall be surrendered at any office or agency maintained by the Company in accordance with the provisions of Section 2 of Article VIII with respect to the Bonds of such series, and the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor the Bond or Bonds which the holder making the exchange shall be entitled to receive. All coupon Bonds surrendered for exchange and delivered in exchange shall have attached thereto all unmatured coupons appertaining thereto and, in case at the time of any such exchange interest on the Bonds of the particular series is in default, shall in addition have attached thereto all matured coupons in default.

The Company shall keep, at the offices or agencies to be maintained by the Company in accordance with the provisions of Section 2 of Article VIII, a register or registers in which, subject to such reasonable regulations as it may prescribe, the Company shall register Bonds entitled to registration and shall transfer registered Bonds. At all reasonable times such register or registers shall be open for inspection by the Trustee and, upon demand by holders of at least 10% in aggregate principal amount of Outstanding Bonds, by such holders.

Upon surrender for transfer of any registered Bond without coupons of any series at any office or agency maintained with respect to the Bonds of such series, the Company shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new registered Bond or Bonds without coupons of the same series and maturity for a like aggregate principal amount.

Upon presentation for registration of any coupon Bond registerable as to principal at any such office or agency, such Bond shall be registered as to principal in the name of the holder and the fact of such registration shall be noted on the Bond. No transfer of any coupon Bond so registered as to principal shall be valid unless made at any such office or agency and similarly noted on the Bond, but the same may be discharged from registration by being in like manner transferred to bearer, and thereupon transferability by delivery shall be restored. Coupon Bonds entitled to registration shall continue to be subject to successive registrations and transfers to bearer, at the option of the holders. Such registration of any coupon Bond shall not affect the negotiability of the coupons appertaining thereto, which shall continue to be payable to bearer and transferable by delivery.

All Bonds presented or surrendered for exchange, transfer, registration or discharge from registration as provided in this Section 5 shall be in bearer form or, if registered, shall be accompanied by a written instrument or instruments of transfer in form approved by the Company duly executed by the registered holder or his legal representative, either in person or by duly authorized attorney.

Upon every exchange, transfer, registration or discharge from registration of Bonds the Company may require the payment of a sum sufficient to cover any tax or taxes or other governmental charge and in addition thereto a further sum not exceeding \$2.00 for each new Bond then issued, except as otherwise provided in Section 6 of this Article II, in Section 3 of Article IV and in Section 6 of Article XVIII.

The Company shall not be required to make transfers or exchanges of registered Bonds without coupons of any series for a period of 10 days next preceding any interest payment date of the Bonds of such series or next preceding any selection by lot of Bonds to be redeemed. The Company shall not be required to make transfers or exchanges of any Bonds selected for redemption.

If one or more Events of Default shall have occurred and be continuing, nevertheless the Company shall duly execute and the Trustee

shall authenticate and deliver Bonds for the purposes of making the exchanges and transfers provided for in this Section 5.

SECTION 6. Pending the preparation of definitive Bonds of any series, the Company may execute and the Trustee shall authenticate and deliver one or more temporary Bonds (printed or lithographed) of such series with or without one or more coupons and of any denomination or denominations, in bearer form, registerable or not registerable as to principal, or in registered form, which shall be substantially in the form of the definitive Bonds of such series, but with any omissions, insertions and variations appropriate for temporary Bonds, all as authorized by the Board of Directors and as provided in the written order of the Company for the authentication and delivery thereof. Every such temporary Bond shall be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with like effect, as the definitive Bonds. When definitive Bonds of any series are prepared and ready for delivery, the temporary Bonds of such series may be surrendered in exchange therefor, and the Trustee shall authenticate and deliver in exchange therefor, without expense to the holder, an equal aggregate principal amount of definitive Bonds of the same series and maturity. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefit and security of the Mortgage as definitive Bonds authenticated and delivered hereunder. Interest when and as payable upon temporary Bonds without coupons in bearer form shall be paid only upon presentation thereof for notation thereon of such payment.

When temporary Bonds of any series are authenticated and delivered, the Company will cause definitive Bonds of such series to be prepared without unreasonable delay.

SECTION 7. In case any temporary or definitive Bond and any coupons appertaining thereto shall become mutilated or be destroyed, lost or stolen, the Company in its discretion may execute, and upon the writ-

ten request of the Company, signed by its President or a Vice President, the Trustee may authenticate and deliver, a new Bond (with coupons corresponding to the coupons, if any, appertaining to the mutilated, destroyed, lost or stolen Bond) of the same series and maturity and of like tenor, in exchange and substitution for the mutilated Bond and its coupons, if any, or in lieu of and substitution for the Bond and its coupons, if any, so destroyed, lost or stolen, or, if any such Bond or any coupon shall have matured or shall be about to mature or shall have been called for redemption, instead of issuing a substituted Bond or coupon the Company may pay the same without surrender thereof. In case of destruction, loss or theft of any Bond or coupon, the applicant for a substituted Bond or for such payment shall furnish to the Company, to the Trustee and to any paying agent of the Company, in their discretion, evidence to their satisfaction of the destruction, loss or theft of such Bond and its coupons, if any, or of such coupon and of the ownership thereof, and also such security or indemnity as may be required by the Company, the Trustee and such paying agent to save each of them harmless. The Trustee may authenticate any such substituted Bond and deliver the same with appurtenant coupons, if any, or the Trustee or any paying agent of the Company may make any such payment, upon the written request or authorization of the Company, signed by its President or a Vice President, and shall incur no liability to anyone by reason of anything done or omitted to be done by it in good faith under the provisions of this Section 7. Upon the issue of any substituted Bond, the Company may require the payment of a sum sufficient to cover any tax or taxes or other governmental charge and any other expense connected therewith, and also a further sum not exceeding \$2.00 for each Bond so issued in substitution.

Notwithstanding any limitations contained in the Mortgage, any Bonds and coupons issued under the provisions of this Section 7 shall constitute original contractual obligations, in accordance with their terms, on the part of the Company, and shall be equally and proportion-

ately entitled to the benefit and security of the Mortgage with all other Bonds and coupons issued under the Mortgage, in accordance with the terms thereof.

SECTION 8. Except as otherwise provided in the Mortgage, all Bonds (and appurtenant coupons, if any) surrendered for the purpose of payment, redemption, exchange or transfer shall either be surrendered to the Company or any of its agents for such purpose and by it delivered to the Trustee, or be surrendered to the Trustee, and shall be cancelled by the Trustee as and when so delivered or surrendered to it. All coupons surrendered to the Company or any paying agent for the purpose of payment shall be cancelled and delivered to the Trustee.

The Trustee shall make appropriate notations in its records in respect of all Bonds and appurtenant coupons cancelled as aforesaid, shall cremate all such cancelled coupon Bonds not registered as to principal and all cancelled coupons, and shall, at the direction of the Company, cremate all such cancelled coupon Bonds registered as to principal and registered Bonds without coupons, and shall deliver a certificate of any such cremation to the Company.

If the Company shall acquire any of the Bonds otherwise than as aforesaid, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Bonds unless and until the same are surrendered to the Trustee for cancellation.

### **ARTICLE III.**

#### **Issuance of Bonds.**

SECTION 1. Pursuant to the Court's order of June 24, 1948 and any further order or orders of the Court, after the execution and delivery of the Mortgage and whether before or after the recording of the Mortgage, Bonds of Series A in the aggregate principal amount of

not to exceed One Million Seven Hundred Thirty-Six Thousand Dollars (\$1,736,000) and Bonds of Series B in the aggregate principal amount of not to exceed Fifteen Million Fifty-Eight Thousand Eight Hundred Dollars (\$15,058,800) may be executed by the Company and shall be authenticated by the Trustee and delivered to or upon the written order of the Company, signed by its President or a Vice President, without any further action on the part of the Company.

No Bonds other than those authenticated and delivered pursuant to this Section 1 shall be authenticated or delivered by the Trustee pursuant to the provisions of this Article III at any time when an Event of Default shall have occurred and be continuing.

SECTION 2. From time to time and in the manner provided in this Section 2, Bonds of one or more series other than Series A may be executed by the Company and shall be authenticated by the Trustee and delivered to or upon the written order of the Company, signed by its President or a Vice President, in an aggregate principal amount not exceeding 75% of the Net Cost of Additions and Betterments made during a period commencing not more than 36 months prior to the delivery to the Trustee of an Application for the authentication of such Bonds; provided, however, that no Bonds shall be authenticated and delivered on the basis of Net Cost of Additions and Betterments that have theretofore been Bonded, or, except in the case of New Mileage, if as a result the aggregate principal amount of Bonds authenticated and delivered pursuant to Sections 2 and 3 of this Article III would exceed 75% of the excess of the aggregate debits to the Capital Accounts of the Company made subsequent to December 31, 1947 in respect of Additions and Betterments and Purchased Property over the aggregate credits to the Capital Accounts of the Company made subsequent to December 31, 1947 in respect of Fixed Property retired subsequent to December 31, 1947 other than credits in respect of Fixed Property retired and not replaced.

Bonds shall be authenticated and delivered under this Section 2 upon delivery to the Trustee in each case of:

(a) An Application for the authentication of Bonds under this Section 2, stating the principal amount of Bonds the authentication of which is applied for;

(b) The documents specified in Section 7 of this Article III;

(c) An Officers' Certificate stating:

(1) The Cost of Additions and Betterments made during a specified period commencing not more than 36 months prior to delivery of the Application to the Trustee;

(2) The aggregate credits to Capital Accounts of the Company made during the period covered by the Application in respect of Fixed Property retired subsequent to December 31, 1947 other than credits in respect of Fixed Property retired and not replaced;

(3) The Net Cost of Additions and Betterments during such period;

(4) The amount of such Net Cost that has theretofore been Bonded;

and also stating, except in the case of New Mileage:

(5) The aggregate debits to the Capital Accounts of the Company made subsequent to December 31, 1947 in respect of Additions and Betterments and Purchased Property and the aggregate credits to the Capital Accounts of the Company made subsequent to December 31, 1947 in respect of Fixed Property retired subsequent to December 31, 1947 other than credits in respect of Fixed Property retired and not replaced, and the aggregate principal amount of Bonds which will have been authenticated and delivered pursuant to Sections 2 and 3 of this Article III if the Bonds, the authentication of which is applied for in the Application, be authenticated and delivered;

(6) The principal amount of Bonds that could be authenticated on the basis of the Application, and the principal amount of Bonds the authentication of which is applied for in the Application; and

(7) A description of all property constituting unretired Additions and Betterments acquired or constructed during such period in reasonable detail and that all such property constitutes Additions and Betterments as defined in Article I;

(d) All such deeds, supplemental indentures or instruments of further assurance, if any, as in the Opinion of Counsel furnished pursuant to subsection (e) below may be specified as necessary or advisable to subject to the lien of the Mortgage the property included in the unretired Additions and Betterments shown in the Officers' Certificate required by subsection (c) above; and

(e) An Opinion of Counsel that all property included in the unretired Additions and Betterments shown in the Officers' Certificate required by subsection (c) above is subject to the lien of the Mortgage, or will become subject to such lien upon the delivery and recording or filing of such deeds, supplemental indentures or instruments of further assurance, if any, as are specified in said Opinion of Counsel, subject to no defect in title and subject to no lien thereon equal or prior to the lien of the Mortgage except the First Mortgage and Permitted Encumbrances.

SECTION 3. From time to time and in the manner provided in this Section 3, Bonds of one or more series, other than Series A, may be executed by the Company and shall be authenticated by the Trustee and delivered to or upon the written order of the Company, signed by its President or a Vice President, for the purpose of acquiring Purchased Property, but in an aggregate principal amount not exceeding 75% of the Cost thereof, or, if such Purchased Property is to be acquired subject to any Prior Lien thereon or indebtedness secured by lien on any Equipment included therein, in an aggregate principal amount not exceeding an amount which, when added to the principal amount of the indebtedness secured by such Prior Liens and Equipment liens, will equal 75% of the sum of the Cost of such Purchased Property and the aggregate principal amount of such indebtedness; provided, however, that no Bonds shall be authenticated and delivered on the basis of Purchased Property which has theretofore been Bonded or,



except in the case of New Mileage, if as a result the aggregate principal amount of Bonds authenticated and delivered pursuant to Sections 2 and 3 of this Article III would exceed 75% of the excess of the aggregate debits to the Capital Accounts of the Company made subsequent to December 31, 1947 in respect of Additions and Betterments and Purchased Property over the aggregate credits to the Capital Accounts of the Company made subsequent to December 31, 1947 in respect of Fixed Property retired subsequent to December 31, 1947 other than credits in respect of Fixed Property retired and not replaced.

Bonds shall be authenticated and delivered under this Section 3 upon delivery to the Trustee in each case of:

(a) An Application for the authentication of Bonds under this Section 3, stating the principal amount of Bonds the authentication of which is applied for;

(b) The documents specified in Section 7 of this Article III;

(c) An Officers' Certificate, stating:

(1) A description in reasonable detail of the Purchased Property for the acquisition of which the authentication of Bonds is applied for in the Application;

(2) The Cost of such Purchased Property determined in accordance with the definition of Cost, when used with reference to Purchased Property, in Article I;

(3) If such Purchased Property is to be acquired subject to any Prior Lien or indebtedness secured by lien on any Equipment included therein, a description of each such Prior Lien and Equipment lien and the principal amount of indebtedness secured thereby;

(4) A computation showing the principal amount of Bonds that could be authenticated on the basis of the Application, and the principal amount of Bonds the authentication of which is applied for in the Application;

and also stating, except in the case of New Mileage:

(5) The aggregate debits to the Capital Accounts of the Company made subsequent to December 31, 1947 in respect of

Additions and Betterments and Purchased Property and the aggregate credits to the Capital Accounts of the Company made subsequent to December 31, 1947 in respect of Fixed Property retired subsequent to December 31, 1947 other than credits in respect of Fixed Property retired and not replaced, and the aggregate principal amount of Bonds which will have been authenticated and delivered pursuant to Sections 2 and 3 of this Article III if the Bonds, the authentication of which is applied for in the Application, be authenticated and delivered; and

(d) All such deeds, supplemental indentures or instruments of further assurance, if any, as in the Opinion of Counsel furnished pursuant to subsection (e) below may be specified as necessary or advisable to subject such Purchased Property to the lien of the Mortgage; and

(e) An Opinion of Counsel that all of such Purchased Property is subject to the lien of the Mortgage, or will become subject to such lien upon the delivery and recording or filing of the deeds, supplemental indentures or instruments of further assurance, if any, specified in said Opinion of Counsel, subject to no defect in title and subject to no lien equal or prior to the lien of the Mortgage except the First Mortgage and the Prior Liens and Equipment liens described in the Officers' Certificate required by subsection (c) above, and Permitted Encumbrances.

SECTION 4. From time to time and in the manner provided in this Section 4, Bonds of one or more series, other than Series A, may be executed by the Company and shall be authenticated by the Trustee and delivered to or upon the written order of the Company, signed by its President or a Vice President, for the purpose of acquiring Railroad Subsidiary Securities not theretofore Bonded, but in an aggregate principal amount not exceeding 75% of the Cost thereof, or, if the properties owned by such Railroad Subsidiary be subject to any Prior Lien thereon or indebtedness secured by lien on any Equipment included therein, in an aggregate principal amount not exceeding an amount

**Article III**  
**Section 4**

which, when added to the principal amount of the indebtedness secured by such Prior Liens and Equipment liens, will equal 75% of the sum of the Cost of such Railroad Subsidiary Securities and the aggregate principal amount of such indebtedness.

Bonds shall be authenticated and delivered under this Section 4 upon the delivery to the Trustee in each case of:

(a) An Application for the authentication of Bonds under this Section 4, stating the principal amount of Bonds the authentication of which is applied for;

(b) The documents specified in Section 7 of this Article III;

(c) An Officers' Certificate stating:

(1) The corporation the bonds or stocks of which are to be pledged and deposited with the Trustee, and that such corporation is a Railroad Subsidiary, or will become a Railroad Subsidiary upon the acquisition of the Railroad Subsidiary Securities made the basis for the issuance of Bonds;

(2) The number of shares of stock of each class having voting rights, and the general voting rights of each share, of the Railroad Subsidiary and the number of shares, and the general voting rights of each share, owned by the Company or which will be owned by the Company as a result of the authentication and delivery of the Bonds specified in the Application;

(3) The Cost of such Railroad Subsidiary Securities, determined in accordance with the definition of "Cost", when used with reference to Railroad Subsidiary Securities, in Article 1;

(4) If the properties owned by such Railroad Subsidiary be subject to any Prior Lien thereon or indebtedness secured by lien on any Equipment included therein, a description of each such Prior Lien and Equipment lien and the principal amount of indebtedness secured thereby; and

(5) That the Railroad Subsidiary Securities made the basis for the authentication of Bonds under the Application have not theretofore been Bonded; and

(d) An Opinion of Counsel that all such Railroad Subsidiary Securities are subject to the lien of the First Mortgage (so long

as it shall remain a lien on the mortgaged property) and to the lien of the Mortgage or will become subject to such liens upon delivery thereof or delivery of the instruments, if any, specified in said Opinion of Counsel; that the Company has valid title to such securities and the right to own and pledge the same, free from any other lien; that such Railroad Subsidiary Securities have been duly authorized by all corporate action required under the laws of the state of incorporation, the charter (or other document of organization) and the by-laws of the Railroad Subsidiary and are valid; that no authorization by any commission or governmental authority is required by law for the issue of such securities or for the valid ownership thereof by the Company or the pledge thereof as provided in this Section 4, except such authorization as shall be specified in said Opinion of Counsel, and which shall be evidenced by copies of the orders or certificates so specified, appropriately certified; that the said Railroad Subsidiary Securities of each such Railroad Subsidiary are valid obligations thereof and (1) if bonds, are secured by a valid general lien on all or substantially all of the physical property of such subsidiary and (2) if stocks, are fully paid and non-assessable; and

(e) A Certified Resolution to the effect that each Railroad Subsidiary referred to in the Application owns one or more lines of railroad, bridges or railroad terminals deemed by the Board of Directors to be necessary or useful in connection with the operation of the Company's system.

So long as the First Mortgage shall remain a lien on the mortgaged property, the requirements of this Section 4 with respect to the pledge and deposit with the Trustee of Railroad Subsidiary Securities shall be deemed to be satisfied by the pledge and deposit thereof with the trustee under the First Mortgage subject to the terms thereof, instead of with the Trustee, and the filing with the Trustee of a statement of the trustee under the First Mortgage certifying to such pledge and deposit.

SECTION 5. From time to time and in the manner provided in this Section 5, Bonds of one or more series, other than Series A, may be

executed by the Company and shall be authenticated by the Trustee and delivered to or upon the written order of the Company, signed by its President or a Vice President, in an aggregate principal amount not exceeding the principal amount of Bonds, First Mortgage Bonds, or other Refundable Obligations, which shall have been cancelled or surrendered to the Trustee for cancellation, or for the payment or redemption of which cash in the requisite amount shall have been deposited in trust with the Trustee or in trust with any agency satisfactory to the Trustee; provided, however, that (1) the aggregate principal amount of Bonds issued under Section 3 of this Article for the purpose of acquiring any Purchased Property and under this Section for the purpose of refunding any Prior Liens thereon shall not exceed 75% of the sum of the Cost of such Purchased Property and the aggregate principal amount of the Prior Liens to be refunded, (2) no Bonds shall be authenticated and delivered under this Section 5 on the basis of Refundable Obligations theretofore Bonded, or theretofore acquired, retired, cancelled or paid through the operation of any sinking fund or analogous fund or the Debt Retirement Fund, established pursuant to the Mortgage or pursuant to the First Mortgage, or the mortgage or other indenture pursuant to which the Refundable Obligations were issued, and (3) in case of a redemption of Bonds or First Mortgage Bonds, all action and notice required for such redemption shall have been taken and given, or provision made therefor satisfactory to the Trustee.

Bonds shall be authenticated and delivered under this Section 5 upon delivery to the Trustee in each case of:

- (a) An Application for the authentication of Bonds under this Section 5, stating the principal amount of Bonds the authentication of which is applied for;
- (b) The documents specified in Section 7 of this Article III;
- (c) An Officers' Certificate which shall (i) describe and state the amount of Refundable Obligations the cancellation or surrender for cancellation or the payment or redemption of which forms the basis of the Application; (ii) state that said Refundable Obligations have not theretofore been Bonded and

have not theretofore been acquired, retired, cancelled or paid through the operation of any sinking fund or analogous fund established pursuant to the Mortgage or pursuant to the First Mortgage or the mortgage or other indenture pursuant to which the Refundable Obligations were issued; and (iii) state that any cash deposited in trust as required by subsections (d) or (e) of this Section 5 is not otherwise required to be deposited with the Trustee or used under any provision of the Mortgage or of the First Mortgage;

(d) In case the Refundable Obligations made the basis of the Application consist of Bonds of another series, either (i) said Bonds, cancelled or for cancellation, together with all unmatured coupons and all unpaid matured coupons appertaining thereto, funds for the payment of which have not been provided, or (ii) cash in trust in the requisite amount for the payment or redemption thereof, or evidence that such amount of cash has been deposited in trust with an agency satisfactory to the Trustee, and, in case of such redemption, evidence that due notice of redemption has been given or provided for to the satisfaction of the Trustee;

(e) In case the Refundable Obligations made the basis of the Application consist of First Mortgage Bonds or Prior Lien Bonds, either (i) said First Mortgage Bonds or Prior Lien Bonds, as the case may be, cancelled or for cancellation, together with all unmatured coupons and all unpaid matured coupons appertaining thereto funds for the payment of which have not been provided, or (ii) cash in trust in the necessary amount for the payment or redemption thereof and, in case of such redemption, evidence that due notice of redemption has been given or provided for to the satisfaction of the Trustee, or (iii) an instrument or instruments satisfying, releasing or discharging the mortgage, deed of trust or other instrument securing such First Mortgage Bonds or Prior Lien Bonds, or (iv) a certificate of the trustee under the instrument securing such First Mortgage Bonds or Prior Lien Bonds stating that all of said First Mortgage Bonds or Prior Lien Bonds have been duly paid and cancelled or have been purchased, redeemed or otherwise retired and are held by such trustee under such conditions that the same cannot be reissued, or

stating that cash in the necessary amount for the payment of the principal, premium if any, and interest to the maturity date or to the redemption date, as the case may be, of all such First Mortgage Bonds or Prior Lien Bonds has been deposited with it and is then held by it in trust for the payment or redemption of such First Mortgage Bonds or Prior Lien Bonds and that the same cannot thereafter be reissued; and

(f) An Opinion of Counsel that upon the cancellation, payment or redemption of such First Mortgage Bonds or Prior Lien Bonds made the basis of the Application such First Mortgage Bonds or Prior Lien Bonds cannot thereafter be reissued; and, if any instrument or instruments be delivered to the Trustee pursuant to clause (iii) of subsection (e) above, that the same is sufficient in law to satisfy, release and discharge the lien therein described.

So long as the First Mortgage shall remain a lien on the mortgaged property, the requirements of this Section 5 with respect to the delivery of Refundable Obligations or moneys for the payment or redemption thereof to the Trustee shall be deemed to be satisfied by the delivery thereof to the trustee under the First Mortgage subject to the terms thereof, instead of to the Trustee, and the filing with the Trustee of a statement of the trustee under the First Mortgage certifying that such delivery has been made to it and that such First Mortgage Bonds as have been delivered to it have been cancelled.

Bonds of any series or First Mortgage Bonds made the basis for the authentication and delivery of Bonds under this Section 5 together with all coupons appertaining thereto, if not cancelled when delivered to the Trustee, shall be cancelled by the Trustee and shall not thereafter be reissued or made the basis for the authentication and delivery of any Bonds, the release of any property, the withdrawal, payment or application of any cash held by the Trustee or otherwise used under any provision of the Mortgage.

First Mortgage Bonds and Prior Lien Bonds, the cancellation, payment or redemption of which is made the basis for the authentication and delivery of Bonds under this Section 5, shall not thereafter be

reissued or made the basis for the authentication and delivery of any Bonds, the release of any property, the withdrawal, payment or application of any cash held by the Trustee or otherwise used under any provision of the Mortgage; and the Trustee, at the request of the Company, shall deliver any such First Mortgage Bonds and Prior Lien Bonds delivered to the Trustee, cancelled, to the trustee under the mortgage, deed of trust or other instrument securing the same.

SECTION 6. From time to time and in the manner provided in this Section 6, Bonds of one or more series, other than Series A, may be executed by the Company and shall be authenticated by the Trustee and delivered to or upon the written order of the Company, signed by its President or a Vice President, upon the deposit by the Company with the Trustee of a sum in cash equal to the principal amount of the Bonds so to be authenticated and delivered, and upon delivery by the Company to the Trustee of (a) an Application for the authentication of Bonds under this Section 6, stating the principal amount of Bonds the authentication of which is applied for, (b) the documents specified in Section 7 of this Article III, and (c) an Officers' Certificate which shall certify that any cash so deposited with the Trustee is not otherwise required to be deposited with the Trustee or used under any provision of the Mortgage or of the First Mortgage.

All cash so deposited (herein sometimes referred to as "escrowed cash") shall be held by the Trustee as part of the mortgaged property and may be withdrawn by the Company upon its written order, signed by its President or a Vice President, accompanied by an Application therefor and a Certified Resolution authorizing such Application, in an amount equal to the principal amount of each Bond or fraction of a Bond to the authentication and delivery of which the Company would be entitled under the provisions of Sections 2, 3 or 4 of this Article III. Upon applying for any such withdrawal, the Company shall comply with all applicable provisions of this Article III relating to the authentication and delivery of such Bonds except that the Company shall not be required to comply with any of the provisions of Section 7 of



this Article III other than clause (d) (4) (with such changes as shall be appropriate to the withdrawal of escrowed cash) and clause (e) of said Section 7. Any withdrawal of escrowed cash under this Section 6 shall be in lieu of the right of the Company to the authentication and delivery of Bonds to which the Company would otherwise be entitled under the provisions of Sections 2, 3 or 4 of this Article III.

The Company shall not be entitled to withdraw any escrowed cash pursuant to the provisions of this Section 6 at any time when an Event of Default shall have occurred and be continuing.

SECTION 7. Whenever applying for the authentication of any Bonds, other than Bonds of Series A and Series B to be issued under the provisions of Section 1 of this Article III, the Company shall cause to be delivered to the Trustee:

(a) A Certified Resolution authorizing the proposed issue of Bonds in a specified principal amount pursuant to a specified section or sections of this Article III, requesting the authentication and delivery thereof and either (i) stating that such Bonds are of a designated series previously authorized or (ii) authorizing the execution and delivery of the supplemental indenture provided for in subsection (b) of this Section 7;

(b) If such Bonds are to be of a series not previously authorized, a supplemental indenture duly creating the proposed series and specifying as provided in Section 3 of Article II the particular provisions of the Bonds of such series;

(c) A copy authenticated in a manner satisfactory to the Trustee of any orders or certificates of any commissions or public regulatory bodies or other governmental authorities shown by the Opinion of Counsel referred to in subsection (d) of this Section 7 to be required by law for the issue of such Bonds;

(d) An Opinion of Counsel that

(1) no authorization or approval by any commission or public regulatory body or other governmental authority is required by law for the issue of such Bonds except such authorizations as are specified in such Opinion;

(2) the Company is entitled by law and by the terms of the Mortgage to the authentication and delivery of such Bonds;

(3) the authentication and delivery of such Bonds has been duly authorized by all requisite corporate action on the part of the Company;

(4) the Applications, certificates, orders and other documents delivered to the Trustee conform to the requirements of the Mortgage and constitute sufficient authority hereunder for the Trustee to authenticate and deliver such Bonds; and

(5) such Bonds when duly executed, authenticated and delivered and issued for consideration will constitute valid and outstanding obligations of the Company according to their terms and will be secured by the Mortgage in accordance with its terms; and

(e) An Officers' Certificate stating that no Event of Default has occurred and is continuing.

#### **ARTICLE IV.**

##### **Redemption of Bonds.**

SECTION 1. The Company, at its option, may redeem the Bonds of Series A and Series B as a whole, or in part from time to time prior to maturity, at a redemption price equal to the principal amount thereof plus (i) interest at the rate of  $4\frac{1}{2}\%$  per annum on the principal amount thereof for the last preceding calendar year, if not theretofore paid, (ii) all unpaid accumulated interest on such principal amount for years prior to the last preceding calendar year, not exceeding  $13\frac{1}{2}\%$ , and (iii) interest at the rate of  $4\frac{1}{2}\%$  per annum on said principal amount from the end of the last preceding calendar year to the date fixed for redemption.

Upon the creation of any other series of Bonds the Company may reserve the right to redeem prior to maturity all or from time to time any part of the Bonds of such series at such time or times and on such terms as shall be determined by the Board of Directors and specified in the supplemental indenture providing for the creation of such series and as shall be appropriately expressed in the Bonds of such series.

Except as otherwise provided in respect of Bonds of any particular series, the procedure for redemption of Bonds of all series which by their terms are redeemable shall be as hereinafter in this Article IV provided.

SECTION 2. In case the Company shall desire to exercise such right to redeem all or any part of the Bonds of a particular series in accordance with the right reserved so to do, it shall publish a notice of such redemption, once each week for four successive weeks (in each case on any day of the week) in a Daily Newspaper in the City of Savannah, State of Georgia, and in a Daily Newspaper in each other city in which the principal of such Bonds is payable, the first publication in each such newspaper to be not less than 30 days nor more than 60 days before the date fixed for redemption if such date be an interest payment date and not less than 60 days nor more than 90 days before the date fixed for redemption if such date be not an interest payment date. It shall not be necessary for all of such publications in any such city to be made in the same newspaper. Such notice shall specify the series of the Bonds to be redeemed, the date fixed for redemption and the redemption price thereof, and shall state that payment of such redemption price will be made at the office or agency or at the offices or agencies of the Company at which the principal of such Bonds is payable, and that on and after said date interest thereon will cease to accrue. A copy of such notice shall be mailed by the Company, within the period specified above for the first publication of the notice, to the Trustee and to the registered owners of registered Bonds without coupons and of coupon Bonds registered as to principal so to be redeemed, at their last addresses as they shall appear upon the bond registry books, but neither failure to give such notice by mail, nor any defect therein, shall affect the validity of the proceedings for the redemption of the Bonds. If all of the Bonds to be redeemed are either fully registered Bonds or coupon Bonds registered as to principal, notice of redemption need not be published but may be sent by registered mail

to the registered owners of the Bonds to be redeemed at their said addresses and within the period specified above.

If the Company shall elect to redeem less than all of the Bonds of any series then outstanding, it shall give the Trustee adequate notice in advance of the aggregate principal amount of the Bonds of such series to be redeemed, and thereupon the Trustee shall draw by lot from the Outstanding Bonds, in such manner as it shall deem appropriate (and for that purpose the Company will, upon request of the Trustee, close or cause to be closed for a period not exceeding 10 days the bond registry books), the distinguishing numbers of a principal amount of Bonds equal to such aggregate principal amount of Bonds to be redeemed. The Trustee, after such drawing, shall promptly notify the Company in writing of the serial numbers of the Bonds so drawn, and in the case of any registered Bond without coupons to be redeemed in part only, the portion of the principal amount thereof to be redeemed. The notice of redemption shall specify the numbers of coupon Bonds and registered Bonds without coupons so drawn, and in case of any registered Bonds without coupons which is to be redeemed in part only (by reason of the fact that distinguishing numbers representing only part of the principal amount thereof shall have been so drawn), the notice shall specify the serial number of such Bond and the portion of the principal amount thereof to be redeemed and shall state that on and after the date fixed for the redemption, upon surrender of such registered Bond, new Bonds of the same series and maturity in principal amount equal to the unredeemed portion of such registered Bond will be issued without expense to the holder of such registered Bond.

In case less than all of the Bonds of Series A or Series B are to be called for redemption, there shall not be included in the drawing provided for in this Section 2 the distinguishing numbers of any Bonds of Series A or Series B, as the case may be, then owned by the Company or held by the Exchange Agent under the Exchange Agency Agreement dated as of January 1, 1948, entered into between the Company and Bankers Trust Company, as Exchange Agent under the

Plan, or held by the Bond Scrip Agent under the Bond Scrip Agreement dated as of January 1, 1948, entered into between the Company and The Citizens and Southern National Bank, as Bond Scrip Agent. The Company, at the time it shall give notice to the Trustee of its election to redeem less than all of the Outstanding Bonds of any series, to evidence the ownership of Bonds of such series owned by the Company, shall deliver to the Trustee an Officers' Certificate setting forth the serial numbers of any Bonds of such series owned by the Company, and in case of the redemption of Bonds of Series A or Series B shall also deliver to the Trustee a certificate signed by a Vice President of Bankers Trust Company, or its successor as such Exchange Agent, stating the serial numbers of the Bonds of Series A or Series B, as the case be, remaining undistributed under the Plan, and a certificate signed by a Vice President of The Citizens and Southern National Bank, or its successor as such Bond Scrip Agent, stating the serial numbers of the Bonds of Series A and Series B then held by it as such Bond Scrip Agent under said Bond Scrip Agreement. If any certificate of such Exchange Agent or Bond Scrip Agent shall show that such Agent no longer holds any Bonds of Series A and Series B, a certificate from such Agent under the foregoing provision shall not thereafter be required.

SECTION 3. If publication of notice of redemption shall have been completed as above provided, the Bonds or portions of Bonds specified in such notice shall become due and payable on the date and at the place stated in such notice, at the applicable redemption price, and on and after such date (unless the Company shall fail to deposit with the Trustee, as hereinafter provided, funds sufficient for the payment of such Bonds at the redemption price) interest on the Bonds or portions of Bonds so called for redemption shall cease to accrue, and the coupons for such interest payable after the date fixed for redemption shall be void. On presentation and surrender of such Bonds on or after such date at any place or places of payment in said notice specified, accom-

panied by appropriate transfer powers in blank in the case of coupon Bonds registered as to principal and registered Bonds without coupons, and with all coupons, if any, thereto appertaining and maturing on or after such date, they shall be paid and redeemed by the Company at the applicable redemption price. If the Company, having completed publication of notice of redemption as required, fails so to deposit, or to direct the application from cash so available and held by the Trustee, of a sum of money equal to such redemption price, the Bonds so called for redemption, nevertheless, shall become due and payable on the date fixed for redemption.

Upon presentation of any registered Bond without coupons which is redeemed in part only, the Company shall execute and the Trustee shall authenticate and deliver to the registered holder thereof, without expense to such holder, a new registered Bond or Bonds without coupons or new coupon Bonds of the same series and maturity in principal amount equal to the unredeemed portion of the Bond so presented.

SECTION 4. If the Company shall deposit in trust with the Trustee on, or within 30 days prior to, the date fixed for redemption an amount in cash sufficient to redeem all Bonds, or portions thereof, then called or to be called for redemption, and shall furnish to the Trustee proof satisfactory to it that notice of redemption of such Bonds has been published as herein provided, or provision satisfactory to the Trustee shall have been made for giving such notice, then on and after the date fixed for redemption, or, if said notice shall state that the moneys available for such redemption will immediately be available for payment of such Bonds upon presentation or surrender thereof as provided herein without awaiting the redemption date therefor, on and after the date on which such moneys are so made available the Bonds or portions of Bonds to be redeemed shall no longer entitle the holders thereof to any right or benefit under the Mortgage, save and except the right to receive the redemption price therefor and such Bonds shall no longer be deemed to be outstanding under the Mortgage.

All moneys deposited with the Trustee for the redemption of Bonds shall be held in trust for the benefit of the holders of such Bonds, but subject to the provisions of Section 4 of Article XVII.

SECTION 5. If the date fixed for redemption be a legal holiday or a day on which banking institutions are authorized by law to be closed, then payment of the redemption price may be made on the next succeeding day that is not a legal holiday or a day on which banking institutions are authorized by law to be closed, with the same force and effect as if made on the nominal date fixed for redemption, and no interest shall accrue for the period after the date fixed for redemption.

#### **ARTICLE V.**

##### **Available Net Income.**

SECTION 1. Available Net Income for each calendar year, beginning with the calendar year 1948, and continuing as long as any Bonds are outstanding under the Mortgage, shall be determined and applied as provided in this Section 1, subject to the provisions of Section 6 of this Article V.

The Available Net Income for the calendar year 1948 and for each calendar year thereafter shall be determined not later than April 15 of the following calendar year; and Available Net Income for each year shall be applied, to the extent that the same shall suffice therefor, during the succeeding calendar year for the following purposes and in the following order:

(a) To the payment of any amount currently required to be paid out of Available Net Income into any sinking fund for First Mortgage Bonds of any series other than Series A, subject to any provision of any indenture supplemental to the First Mortgage creating such series whereby the sinking fund therefor may be subordinated;

(b) To the payment of any amount currently required to be paid as interest on Outstanding Bonds (not including any

thereof held in any sinking fund) and of any accumulated interest thereon;

(c) To the payment of any amount currently required to be paid into the sinking fund for First Mortgage Bonds of Series A pursuant to the requirements of Section 1 of Article VI of the First Mortgage; and

(d) To the payment of any amount currently required to be paid into the sinking fund for Series A and Series B Bonds pursuant to the requirements of Section 1 of Article VI and any sinking fund for Bonds of any other series, equally and ratably, subject to any provision of the supplemental indenture creating such other series whereby the sinking fund therefor may be subordinated.

Any balance of Available Net Income may be applied to any other proper corporate purposes, including the payment of dividends on any class of stock of the Company, subject to the provisions of Article VII hereof, provided, however, that such dividends may be paid out of the income of any calendar year prior to the close of such calendar year if, but only if, prior to the declaration of such dividends, the Board of Directors of the Company shall by resolution have determined that the Available Net Income for such year applicable to the payments specified under subsections (a), (b), (c) and (d) above will be more than sufficient to meet the requirements of said subsections and such amounts shall have been deposited in trust for the purposes specified in said subsections.

No Contingent Interest shall be required to be paid under any provision of this Section 1 if the amount so to be paid would be less than  $\frac{1}{8}$  of 1% on each \$100 of the principal amount of any Contingent Interest bearing obligation, and all payments of Contingent Interest shall be made in multiples of  $\frac{1}{8}$  of 1% of the principal amount of such obligation. Any excess available for interest not paid because of this provision shall be retained by the Company and added to the amount available for such interest in the succeeding income period or periods.



SECTION 2. If First Mortgage Bonds of any series subsequent to Series A shall be issued and any or all of the interest thereon shall be Contingent Interest, such Contingent Interest and the unpaid accumulations thereof shall have such place in the order of priority in the application of Available Net Income, subsequent to subsection (c) of Section 1 of this Article V, as shall be provided in the supplemental indenture creating such series.

SECTION 3. If on any May 1 when Bonds of one or more series are outstanding the amount of Available Net Income for the preceding calendar year is insufficient to pay the interest (including unpaid accumulated interest) due on all Bonds of all series then outstanding, the amount of such Available Net Income applicable to such payment under subsection (b) of Section 1 of this Article V shall be paid on the several series of Bonds in proportion to the respective amounts of interest due thereon for such calendar year, until interest on all such Bonds for such calendar year shall have been paid; and any balance of Available Net Income then remaining shall be paid on the several series of Bonds in proportion to the respective balances of interest due thereon.

SECTION 4. On or before April 15 of each year, beginning with the year 1949, the Company shall file with the Trustee a Certified Resolution determining the Available Net Income for the preceding calendar year, and a report signed by the President or a Vice President, and by the Chief Accounting Officer, of the Company, showing the calculations in reasonable detail of the amount of Available Net Income for the preceding calendar year and the application thereof made or to be made by the Company pursuant to the provisions of Section 1 of this Article V.

In determining Available Net Income for any year the members of the Board of Directors may rely upon and shall be fully protected in relying upon any statement signed by the Chief Accounting Officer as to any facts set forth therein and upon an Opinion of Counsel as to the meaning and application of any provision of the Mortgage.

If the holders of not less than 25% in principal amount of the Outstanding Bonds shall have questioned the correctness of any such report by a notice in writing addressed to the Trustee and signed by such holders, the Trustee shall request the Company to have the accounts of the Company for the year in question (and for prior or subsequent years) audited so far as necessary to check the correctness of such report, at the expense of the Company, by a firm of certified public accountants selected by the Board of Directors and approved by the Trustee, unless an audit shall have theretofore been made or is then being made pursuant to similar provisions in another indenture securing obligations of the Company or pursuant to the voluntary action of the Company. The Company will comply with any such request for an audit. Any such audit shall, promptly after its completion, be filed with the Trustee and shall be open to inspection at all reasonable times by the holders of the Bonds.

SECTION 5. The Company, in the discretion of the Board of Directors, may at any time pay all or any part of the interest accrued and unpaid on Bonds of Series A and Series B (whether or not in excess of the maximum accumulation specified in Section 2 of Article II), equally and ratably in proportion to the amount owing on each of the two Series and without preference of either Series over the other, out of any funds lawfully available therefor although there be no Available Net Income applicable thereto, provided (i) all payments having a priority senior thereto out of Available Net Income for the preceding calendar year have been paid in full and (ii) the Board of Directors shall by resolution adopted by the affirmative vote of two thirds of the entire Board determine that the funds so to be paid are not needed for Additions and Betterments that are necessary or desirable for the safe operation of the properties of the Company or for the realization of customary standards of efficiency or economy in the operation of such properties. Any such payment not made from Available Net Income shall have the effect of reducing the accrued interest on the Bonds of Series A and Series B provided that if such payment reduces the ac-

crued and accumulated interest below 13½% such payment shall not have the effect of preventing such interest from again accumulating, if unpaid, up to the maximum accumulation of 13½% specified in Section 2 of Article II.

SECTION 6. The provisions of this Article V are hereby made expressly subject to each and all of the remedies of the Trustees or the Bondholders as set forth in Article XV and the operation of the provisions of this Article V shall be suspended during the continuance of either of the Events of Default specified in clause (e) or clause (f) of Section 2 of Article XV.

## ARTICLE VI.

### Sinking Fund.

SECTION 1. As and for a Series A and Series B Sinking Fund for the retirement of Bonds of Series A and Series B, the Company

(a) as and when ordered by the Court, will deposit with the Trustee the aggregate amount which it would have been required to deposit with the Trustee under subsection (b) of this Section 1 out of Available Net Income for the calendar years 1945, 1946 and 1947 if the Mortgage and the provisions of said sub-section (b) had been operative from January 1, 1945; and

(b) on or before May 1 of each year, beginning with the year 1949, will deposit with the Trustee an amount equal to ½ of 1% of the maximum aggregate principal amount of Bonds of Series A and Series B theretofore at any time outstanding, or so much thereof as shall be available for such purpose out of Available Net Income for the preceding calendar year under Section 1 of Article V.

In lieu of depositing cash with the Trustee to be held and applied as part of the Series A and Series B Sinking Fund, the Company may reacquire and deliver to the Trustee Bonds of Series A so long as there shall be any Bonds of Series A outstanding and thereafter Bonds of Series B, at the lower of the price or prices paid upon reacquisition thereof (exclusive of any interest paid on such reacquisition) or the

principal amount thereof (exclusive of interest) in effect on May 1 of the calendar year in which such delivery is made. Any such Bonds of Series A or Series B, as the case may be, so delivered to the Trustee shall be accompanied by an Officers' Certificate stating (i) that such Bonds have been duly issued and outstanding and have been reacquired by the Company, (ii) the price or prices (exclusive of any interest paid) at which they were reacquired, (iii) that none of such Bonds has theretofore been Bonded, and (iv) that such Bonds are delivered to the Trustee in lieu of cash required to be deposited in the Series A and Series B Sinking Fund.

Cash that is deposited with the Trustee as and for the Series A and Series B Sinking Fund, as required by the provisions of this Section 1, shall be applied by the Trustee, so long as no Event of Default has occurred and is continuing, (1) so long as there shall be any Bonds of Series A outstanding, to the purchase or redemption of Outstanding Bonds of Series A in accordance with the provisions of this Section 1 and (2) when there are no Bonds of Series A outstanding, to the purchase or redemption of Outstanding Bonds of Series B in accordance with the provisions of this Section 1.

The Trustee may purchase such Bonds of Series A and Series B in the open market at the lowest price or prices at which, in its sole discretion, it shall deem such Bonds reasonably obtainable; or, if the Trustee, in its sole discretion, shall deem it advisable, it may advertise for proposals to sell such Bonds to it, reserving the right to reject any or all such proposals in whole or in part, and may purchase such Bonds at the lowest price or prices asked in such proposals if it deems such purchases advisable; but no such Bonds shall be purchased in the open market or in response to proposals, as aforesaid, at a price in excess of the principal amount thereof exclusive of accrued interest.

Whenever the balance of cash remaining on deposit in the Series A and Series B Sinking Fund on January 1 of any year equals or exceeds \$25,000, the Trustee shall apply such balance to the redemption of

Outstanding Bonds of Series A if there be any outstanding and if not to the redemption of Outstanding Bonds of Series B on the next April 1, at the redemption price specified in Section 1 of Article IV. The Trustee shall give notice of such redemption in the name of the Company in the manner and in accordance with the applicable provisions of Article IV; and the Trustee is hereby appointed the agent of the Company for such purpose. Whenever any redemption of Bonds of Series A or Series B shall be required under the provisions of this Section 1, the Company will at the request of the Trustee take all action necessary, and authorize the Trustee to take all action necessary, so to redeem such Bonds.

SECTION 2. In connection with any purchase or redemption of Bonds of Series A or Series B under this Section 1, the Company will deposit with the Trustee, upon request of the Trustee in the case of purchase, or prior to the date fixed for redemption in the case of redemption, in addition to funds theretofore deposited in the Series A and Series B Sinking Fund, an additional sum in cash sufficient to pay accrued interest on the Bonds purchased or redeemed to the date of purchase or the date fixed for redemption.

All advertising and publishing costs, commissions, postage and other expenses incurred in the purchase or redemption of such Bonds of Series A or Series B shall be paid by the Company, or, if paid by the Trustee, shall be repaid by the Company to the Trustee upon demand.

All Bonds of Series A and Series B purchased or redeemed out of the Series A and Series B Sinking Fund, and all Bonds of Series A and Series B delivered by the Company to the Trustee in lieu of depositing cash in the Series A and Series B Sinking Fund, shall be cancelled and shall not be reissued or made the basis for the authentication and delivery of any Bonds or other obligations or the withdrawal, payment or application of any cash under any provision of the Mortgage.

## ARTICLE VII.

### Debt Retirement Fund.

The Company covenants as follows:

SECTION 1. On or before the date of payment of any dividend (other than a dividend in stock of the Company) on the common stock of the Company, the Company shall, as provided in the First Mortgage, set aside an amount equal to 50% of the aggregate amount of such dividend, as a special fund, to be known as the Debt Retirement Fund, and shall deposit the same in one or more banks. All amounts so set aside shall be applied by the Company as provided in the First Mortgage and in this Article, but no bank in which all or any part of the Debt Retirement Fund may be deposited shall have any responsibility for the application thereof.

SECTION 2. Subject to the provision of Section 7 of this Article VII, any amount set aside in the Debt Retirement Fund shall be applied by the Company for the following purposes and in the following order:

(a) So long as there shall be any Outstanding Bonds of Series A, to the purchase or redemption of such Bonds;

(b) So long as there shall be any Outstanding Bonds of Series B or any other series, to the purchase or redemption of such Bonds; and

(c) So long as there shall be outstanding any preferred stock of the Company issued pursuant to the Plan, to the purchase or redemption of such preferred stock.

SECTION 3. In lieu of setting aside cash in the Debt Retirement Fund the Company, as provided in the First Mortgage, may reacquire and cancel any Outstanding Bonds of Series A, any Outstanding Bonds of Series B or any other series, or any preferred stock issued under the Plan, to the purchase or redemption of which such cash would be required to be applied if set aside, at the lower of the price or prices

paid upon acquisition thereof (exclusive of any interest paid on any reacquisition) or the principal amount thereof (exclusive of interest) then in effect, and the aggregate amount which the Company would be required under Section 1 of this Article VII to set aside shall be reduced accordingly.

SECTION 4. All bonds or stock purchased or redeemed through the operation of the Debt Retirement Fund (including any with respect to which the Company shall have received credit pursuant to Section 3 of this Article VII), shall be retired and cancelled and not reissued and no bonds or other obligations or preferred stock shall be issued in lieu thereof for any purpose.

SECTION 5. Within 30 days after the payment of any such dividend, the Company shall deliver to the Trustee an Officers' Certificate stating (i) the amount of such dividend and the date on which the same was paid, (ii) the amount or amounts of cash set aside in the Debt Retirement Fund and the date or dates on which set aside, and (iii) the amount or amounts of bonds or stock reacquired and cancelled and applied in lieu of cash by the Company pursuant to Section 3 of this Article and the price or prices at which, and the date or dates on which, the same shall have been acquired.

SECTION 6. On or before May 1 in each calendar year the Company shall deliver to the Trustee an Officers' Certificate stating (i) the amount or amounts of bonds or stock purchased or redeemed through the operation of the Debt Retirement Fund not previously reported in an Officers' Certificate pursuant to this Section, the date or dates when the same were purchased or redeemed and the amount applied pursuant to Section 2 of this Article VII and (ii) the balance then remaining in the Debt Retirement Fund.

SECTION 7. Whenever the balance of cash remaining on deposit in the Debt Retirement Fund on January 1 of any year shall exceed the sum of \$25,000 the Company shall, as provided in the First Mortgage,

apply the same to the redemption of bonds or stock in the order provided in Section 2 of this Article VII on the next April 1 at the redemption price and in the manner and in accordance with the applicable provisions of the Mortgage or the Certificate of Incorporation of the Company, as the case may be.

## **ARTICLE VIII.**

### **General Covenants.**

The Company covenants as follows:

SECTION 1. The Company will duly and punctually pay or cause to be paid the principal of, premium if any and interest on the Bonds at the times and at the place or places and in the manner and to the extent specified therein and in the coupons thereto appertaining, if any.

SECTION 2. The Company will maintain in the City of Savannah, State of Georgia, an office or agency where payment of the principal of, premium if any and interest on Bonds may be made, where notices, presentations and demands to or upon the Company in respect of Bonds or coupons or in respect of the Mortgage may be given or made and where Bonds may be registered, transferred and exchanged. The Company will also maintain a similar office or agency in each other city where the principal of or interest on any of the Bonds is payable, as provided in Article II. The Company will give to the Trustee notice of the location of all such offices or agencies and of any change of location thereof. In case the Company shall fail to maintain any such office or agency or shall fail to give notice of the location or of any change in the location thereof, notices, presentations and demands may be given or made at the principal office of the Trustee, but the Trustee shall have no duty with respect to such notices, presentations or demands except to forward the same to the Company.

If the Company shall appoint a paying agent other than the Trustee, it will cause such paying agent to execute and deliver to the



Trustee an instrument in which such agent will agree with the Trustee, subject to the provisions of this Section 2:

(a) that it will hold all sums held by it as such agent for the payment of the principal of, premium if any or interest on any of the Bonds (whether such sums have been paid to it by or on behalf of the Company or any other obligor on the Bonds) in trust for the benefit of the holders of such Bonds or the coupons for such interest, as the case may be; and

(b) that it will give to the Trustee notice of any failure by the Company (or by any other obligor on such Bonds) to make any payment of the principal of, premium if any or interest on such Bonds when the same shall be due and payable which shall come to its notice or knowledge as such paying agent.

If the Company shall act as its own paying agent in respect of the Bonds of any series, it will, on or before each due date of the principal of, premium if any or interest on such Bonds, set aside, segregate and hold in trust for the benefit of the holders of such Bonds or the appurtenant coupons, as the case may be, a sum sufficient to pay such principal, premium and interest so becoming due and will notify the Trustee of any failure to take such action.

The Company may, at any time, for the purpose of obtaining a release or satisfaction of the Mortgage or for any other reason, pay or cause to be paid to the Trustee all sums held in trust by it or by any paying agent pursuant to this Section 2, such sums thereafter to be held by the Trustee upon the same trusts as in this Section 2 provided.

The agreement to hold sums in trust as provided in this Section 2 is subject to the provisions of Section 4 of Article XVII.

SECTION 3. The Company will execute and deliver, or will cause to be executed and delivered, all such further deeds, mortgages, assignments and transfers as may be required for the better mortgaging, assigning and confirming to the Trustee of the property hereby mortgaged, conveyed or assigned, or intended so to be, or which the Com-

pany may hereafter become bound to convey or assign to the Trustee.

The Company will deliver to the Trustee on or before April 1 in each year, beginning with the year 1949, an Officers' Certificate setting forth in reasonable detail a description of any substantial items of additional real and personal property, estate, rights and franchises acquired within the previous calendar year and an Opinion of Counsel stating either (a) that no supplemental indenture is necessary to subject to the lien of the Mortgage the items of property set forth in such Officers' Certificate which are intended by the granting clauses or other provisions of the Mortgage to be subjected to the lien hereof, or (b) that a supplemental indenture is necessary for the purpose and that the supplemental indenture delivered to the Trustee with such Officers' Certificate and Opinion of Counsel is sufficient for that purpose and has been recorded and filed in the proper jurisdictions.

SECTION 4. The Company owns and is lawfully possessed of the lines of railroad, property and franchises referred to in the granting clauses hereof, and is duly authorized to operate and does operate said lines of railroad, and covenants and agrees to execute any and all instruments and do any and all acts or things necessary or proper to perfect its title to the same or any thereof, and, subject to the provisions of Article XI hereof, to take all steps and do all acts necessary to continue and maintain its corporate existence and authority to operate its lines of railroad.

SECTION 5. The Company, from time to time as they shall become due, will make, or cause to be made, all payments required to be made under and by the terms of any Equipment Obligation, including those described in the granting clauses hereof, and will do or cause to be done all such further acts as may be necessary to assure to the Company the use of the Equipment to which such Equipment Obligation relates and the ultimate acquisition of complete title thereto.

Nothing contained in this Section 5 or in any other provision of the Mortgage, express or implied, is intended or shall be construed to

limit the right or power of the Company, which is hereby expressly reserved, to extend, prior to the maturity of any Equipment Obligation, the balance of the rental or other payments remaining to be paid thereunder or secured thereby or to refinance the same by entering into a new Equipment Obligation.

SECTION 6. The Company will well and truly pay and discharge or cause to be paid and discharged upon presentation thereof for payment when due the principal of all obligations having a lien on the mortgaged property or any part thereof prior to the lien of the Mortgage; and until paid or discharged at maturity or otherwise it will pay or cause to be paid the interest payable thereon at the time and at the place or places set forth therein or in the coupons attached thereto; and it will prevent any default or other thing from happening whereby the right might arise to enforce by foreclosure or otherwise any such obligations; provided, however, that the Company may extend, refund or renew any such obligations under the existing mortgage or refund the same by a new mortgage having the same priority of lien as, and of no greater principal amount than, the mortgage being refunded.

In all cases in which, pursuant to the requirements of any mortgage or other instrument constituting a lien prior to the lien of the Mortgage, cash, securities, obligations or rights which would otherwise be required to be deposited with the Trustee are deposited with the trustee or mortgagee under such mortgage or other instrument, the Company will forthwith, upon the discharge and cancellation of such mortgage or other instrument (subject to the obligation of the Company, if any, to cause the same to be deposited under any other such mortgage or other instrument), cause to be deposited with the Trustee any and all such cash, securities, obligations or rights remaining at the time of such discharge and cancellation with the trustee or mortgagee of the mortgage or other instrument so discharged and cancelled. The Company hereby authorizes and directs the trustee or mortgagee under each such mortgage or other instrument, upon such discharge and cancellation thereof, to deposit with the Trustee all such cash, securities,

obligations or rights so remaining. The Company will deliver a copy of the Mortgage to the trustee or mortgagee under each such mortgage or other instrument and furnish the Trustee with evidence of such delivery.

SECTION 7. The Company, from time to time, will pay and discharge, or cause to be paid and discharged, all taxes, assessments and governmental charges (the lien whereof would be prior to the lien of the Mortgage) lawfully imposed upon the mortgaged property or upon any part thereof, or upon the income and profits thereof, and also all taxes, assessments and governmental charges lawfully imposed upon the lien or interest of the Trustee in respect of the mortgaged property or the income thereof, so that the lien and priority of the Mortgage shall be fully preserved at the cost of the Company without expense to the Trustee or the Bondholders; provided, however, that the Company shall not be required to pay any such taxes, assessments or governmental charges (i) so long as in good faith the validity or the amount thereof shall be contested by appropriate legal proceedings, unless thereby, in the judgment of the Trustee, the security afforded by the Mortgage will be materially impaired or endangered, or (ii) on property it has abandoned pursuant to permission granted by the Interstate Commerce Commission or other public regulatory body having jurisdiction in the premises, or (iii) on property it has abandoned where no public regulatory body has jurisdiction if the property abandoned is no longer necessary for the maintenance or operation of the lines of railroad subject to the lien of the Mortgage.

SECTION 8. The Company, from time to time as the same shall become due and payable, will observe and perform all of its obligations, and will pay and discharge all sums payable, under or by virtue of any lease or trackage agreement held by it and subject to the lien of the Mortgage and which is reasonably necessary for the maintenance and operation of the lines of railroad subject to the lien of the Mortgage, and will not suffer or permit any default for which such

lease or trackage agreement may be terminated, so that, subject to the provisions of Articles X and XI, the interest of the Company in all such leasehold estates or trackage agreements shall be preserved unimpaired as security for the Bonds and coupons hereby secured.

Nothing in this Section 8 contained shall require the Company to make any such payments or to observe any such obligations so long as the Company in good faith by appropriate proceedings shall contest its liability for any such payments or its duty to observe any such obligations, unless in the opinion of the Trustee such action will materially impair or endanger the interests of the Bondholders.

SECTION 9. The Mortgage is and, subject to the provisions of Articles X and XI, always will be kept a lien upon all of the mortgaged property, subject only to the liens prior thereto specified or referred to in the granting clauses hereof, and the right, charge, lien or title of Equipment Obligations, Permitted Encumbrances and Prior Liens, and the Company will not create, or suffer to be created or to arise, or allow to exist any other lien or charge having priority to, preference over or parity with the lien of the Mortgage upon the mortgaged property, or any part thereof, or upon the income thereof; and, within six months after the same shall be payable, will pay or cause to be discharged, or will make adequate provision for the satisfaction or discharge of, all lawful claims and demands of mechanics, laborers and others, which, if unpaid, might by law be given precedence over the Mortgage as a lien or charge upon the mortgaged property or any part thereof, or the income thereof; provided, however, that the Company shall not be required to pay any such debt, lien or charge so long as it shall in good faith, by appropriate legal proceedings, contest the validity thereof or the amount thereof unless thereby, in the opinion of the Trustee, the interests of the Bondholders will be materially impaired or endangered.

SECTION 10. Subject to the provisions of Articles X and XI, and to the extent needful and proper for the efficient and economic operation of its properties, the Company will at all times diligently main-

tain, preserve and keep all of the rights and franchises granted to it or conferred upon it, maintain, preserve and keep its railroads, fixtures and appurtenances subject to the lien of the Mortgage in good repair, working order and condition and from time to time make all needful and proper repairs thereto and renewals and replacements thereof, and keep the lines of railroad subject to the Mortgage supplied with Equipment, machinery, tools and other supplies, maintain the same in such condition as may be necessary for the efficient and economical operation of the mortgaged property, and from time to time make all needful and proper repairs thereto and renewals and replacements thereof.

SECTION 11. Subject to the provisions of Articles X and XI, the Company will maintain its property, rights and franchises and continue the full enjoyment thereof so as to maintain the general continuity of its lines of railroad between the principal points served by it as of the date of the execution and delivery of the Mortgage and from time to time thereafter.

SECTION 12. The Company will forthwith upon acquisition deposit and pledge with the Trustee, as further security for the Bonds, all Securities hereafter acquired by it except Securities deposited with the trustee or mortgagee of any Prior Lien or required to be so deposited by the terms of such Prior Lien and Securities falling within the exceptions of Clause Twelfth, or subparagraph (3) (b) following Clause Fifteenth, of the Granting Clauses of the Mortgage.

So long as the First Mortgage shall remain a lien on the mortgaged property, the deposit and pledge by the Company of such Securities with the trustee of the First Mortgage pursuant to the provisions of Section 12 of Article VIII of the First Mortgage, as evidenced by a statement of the trustee of the First Mortgage certifying to such pledge and deposit filed with the Trustee, shall constitute a compliance by the Company with the provisions of this Section 12.

SECTION 13. The Company will not procure the authentication and delivery of any Bonds hereunder, the release of any property herefrom, or the withdrawal, payment or application of any cash held by the Trustee under any provision of the Mortgage, except upon compliance by the Company with the applicable provisions of the Mortgage.

SECTION 14. The Company will not increase or permit to be increased in principal amount any of its obligations (other than Bonds, First Mortgage Bonds, Equipment Obligations and Permitted Encumbrances) which are at the time of the making or assuming of such obligations secured by a lien on the mortgaged property, or any part thereof, prior to or on a parity with the lien of the Mortgage unless the obligations representing such increase are forthwith deposited and pledged with the trustee of the First Mortgage or with the Trustee to be held subject to the provisions of Article IX.

SECTION 15. The Company will maintain a record of all Equipment and will furnish to the Trustee at least once in each period of two years following the date of the execution and delivery of the Mortgage a statement of the number of units by classes of said Equipment, and showing separately the Equipment that is held under or subject to Equipment Obligations, and specifying the amount and maturities of all such Equipment Obligations.

SECTION 16. The Company will cause the Mortgage and every supplemental indenture or instrument purporting to create a lien upon the mortgaged property to secure the Bonds, to be recorded and filed and re-recorded and re-filed to the extent necessary to make effective and maintain the lien intended to be created thereby, and will, on or before April 1 in each year, beginning with the year 1949, furnish to the Trustee an Opinion of Counsel stating either that in the opinion of such counsel the Mortgage and all supplemental indentures or other instruments supplemental thereto have been properly recorded and filed and re-recorded and re-filed, as the case may be, so as to make effective and maintain the lien to be created thereby, or that in the

opinion of such counsel no such action is necessary to make such lien effective and to maintain the same.

SECTION 17. The Company will cause all of the property at any time subject to the lien of the Mortgage, which is of a character usually insured by railroad companies, to be kept insured in such manner and to such extent as is customary and usual in the operation of railroad companies in the territory served by the Company. On or before April 1, 1949, and on or before April 1 in each year thereafter, and at any other time upon the request of the Trustee, the Company will furnish to the Trustee an Officers' Certificate stating in general the character and extent of the insurance then maintained by the Company and stating that the same complies in all respects with the requirements of this Section 17.

If the proceeds from any insurance on the mortgaged property shall exceed the sum of \$50,000 in respect of any one loss, such proceeds shall, subject to the requirements of the First Mortgage or of any Prior Lien, Permitted Encumbrance or Equipment Obligation on such property, be paid by the Company to the Trustee, accompanied by an Officers' Certificate as required by Section 18 of this Article VIII, and shall be set apart and held in trust by the Trustee and applied, upon the written request of the Company (if an Event of Default shall not have occurred and be continuing), to the repair, restoration or replacement of the property damaged or destroyed. The written request of the Company, signed as in the case of an Officers' Certificate, shall set forth the nature of such repairs, restorations or replacements and the cost thereof, and shall be accompanied by an Opinion of Counsel that the same are or will become subject to the lien of the Mortgage as hereinafter in this Section 17 provided. Such request and Opinion of Counsel shall constitute a sufficient warrant and direction to the Trustee for the expenditure of said proceeds in accordance with such request.

Any proceeds from insurance paid over to the Trustee, pursuant to this Section 17, which are not applied to the repair, restoration or replacement of the property damaged or destroyed shall be held and



disposed of by the Trustee as in the case of moneys deposited upon the release of mortgaged property as provided in Section 7 of Article X.

If the proceeds from any insurance on the mortgaged property shall be \$50,000 or less in respect of any one loss, such proceeds shall be applied by the Company to the repair, restoration or replacement of the property damaged or destroyed or to the acquisition or construction of Additions and Betterments. Any property acquired by the Company out of the proceeds of insurance as aforesaid and any and all repairs, restorations, replacements, Additions and Betterments acquired or constructed out of such proceeds, subject to the requirements of the First Mortgage or of any Prior Lien, Permitted Encumbrance or Equipment Obligation on the property with respect to which such insurance was collected, shall become and be subject to the Mortgage as fully as though specifically mortgaged or assigned hereby, but, in the case of property repaired or restored, only in the same manner and to the same extent as the property damaged or destroyed with respect to which such insurance was collected.

SECTION 18. Whenever the Company shall deposit with the Trustee the proceeds of any insurance as provided in Section 17 of this Article VIII, such deposit shall be accompanied by an Officers' Certificate, dated not more than 30 days prior to the delivery thereof to the Trustee, stating the circumstances of such deposit and the source of the moneys then being deposited.

SECTION 19. The Company will permit the Trustee, through its agents, to inspect the mortgaged property or any portion thereof at any time and from time to time, and will comply with all reasonable requests of the Trustee to furnish such information as the Company may have with respect to the mortgaged property.

SECTION 20. As and when there shall be delivered to the trustee under the First Mortgage pursuant to any provision thereof, any report, statement, certificate, opinion, copy of resolution, deed, conveyance, assignment or other document or proof, the Company will

deliver a counterpart thereof to the Trustee, unless the same document or proof has been delivered to the Trustee pursuant to the provisions of the Mortgage.

SECTION 21. The Company will deliver to the Trustee at the time of the distribution thereof a copy of each annual report and financial statement distributed by the Company to its shareholders, beginning with the annual report for the year 1948, but the Trustee shall have no obligation with respect to such reports and financial statements except to allow the same to be inspected by bondholders at all reasonable times.

SECTION 22. All funds made available to the Company after January 1, 1948, from all or any of the following sources shall, unless deposited with the Trustee or with the trustee under the First Mortgage or with the trustee or mortgagee under a Prior Lien, Equipment Obligation or Permitted Encumbrance, be applied only (1) to provide for the Cost of Additions and Betterments not Bonded, or (2) to or on account of the acquisition of Equipment, depending on the source from which such funds shall have been derived: (i) proceeds of insurance on the mortgaged property not used for restoration or repairs, and (ii) proceeds from salvage recovered from mortgaged property retired (except non-depreciable road property retired and replaced), and (iii) proceeds from sales of mortgaged property sold in accordance with the provisions of Article X. On or before April 15 of each year beginning with the year 1949 the Company shall file with the Trustee an Officers' Certificate stating the amount of such funds on hand at the beginning of the preceding calendar year, the amount made available during the preceding calendar year and the amount so applied during the calendar year.

SECTION 23. The Company will, on or before April 15 of each year, beginning with the year 1949, publish a notice stating the amount of interest payable on the Bonds of Series A and Series B or that no interest is payable on such Bonds on the next succeeding interest payment date, once in a Daily Newspaper in the City of Savannah, State

of Georgia, and once in a Daily Newspaper in the Borough of Manhattan, City and State of New York. A copy of such notice shall be mailed by or on behalf of the Company to all registered holders of Bonds, at their last addresses as they shall appear upon the bond registry books.

**SECTION 24.** The Company will not pledge or hypothecate any Bonds to secure any indebtedness created, assumed or guaranteed, directly or indirectly, by the Company if in consequence thereof the excess of the aggregate principal amount of all Bonds pledged or hypothecated by the Company over the aggregate principal amount of all indebtedness secured thereby (not including any indebtedness secured by the pledge or hypothecation of both Bonds and First Mortgage Bonds) would exceed 10% of the aggregate principal amount of all Outstanding Bonds.

The Company will not pledge or hypothecate any Bonds or any First Mortgage Bonds to secure any indebtedness created, assumed or guaranteed, directly or indirectly, by the Company if in consequence thereof the excess of the aggregate principal amount of all Bonds and First Mortgage Bonds pledged or hypothecated by the Company over the aggregate principal amount of all indebtedness secured by the pledge or hypothecation of Bonds and First Mortgage Bonds, or either, would exceed 10% of the aggregate principal amount of all Outstanding Bonds and all Outstanding First Mortgage Bonds.

## **ARTICLE IX.**

### **Pledged Securities.**

**SECTION 1.** Securities deposited and pledged under the Mortgage, if not already in bearer form, or issued in the name of the Trustee, shall be duly endorsed in blank for transfer or accompanied by appropriate instruments of assignment and transfer in blank. Any Securities deposited and pledged under the Mortgage may if the Trustee so determines, and shall if the Company so requests, be registered in the

name of the Trustee or its nominee or be stamped by the Trustee with an appropriate legend to the effect that the same are held in trust for the purposes declared in the Mortgage. The Trustee shall not be obligated to examine or pass upon the validity or genuineness of any Securities and their accompanying assignments tendered for deposit and pledged with it, including any mentioned and described in the granting clauses hereof, and the Trustee shall be entitled to rely upon Opinions of Counsel that any Securities so deposited and pledged are genuine and valid and what they purport to be and that any endorsements or assignments thereof are effective, genuine and valid.

All Debt Securities deposited and pledged under the Mortgage may be in temporary or definitive form, and shall be accompanied by all appropriate coupons appertaining thereto, if any, and, if susceptible of registration as to principal or interest, may if the Trustee so determines, and shall if the Company so requests, be registered, or exchanged for Debt Securities issued in the name of the Trustee or its nominee.

SECTION 2. Unless and until an Event of Default shall have occurred and be continuing, and except as in the Mortgage otherwise expressly provided:

(a) The Company shall be entitled to collect and retain for its own use all cash dividends paid subsequent to January 1, 1948 or the date of pledge, whichever is later, out of earnings, which may be declared on any Stock deposited and pledged hereunder and all sums which may become due and payable for interest upon Debt Securities so deposited and pledged; and the Trustee, upon the written request of the Company, shall deliver to the Company necessary and suitable assignments and orders for the payment to it or upon its order of all such cash dividends and shall deliver to it all coupons pertaining to any such Debt Securities, or suitable assignments and orders for the payment to it or upon its order of all such interest, as and when such coupons or interest shall become due and payable or at any time within 30 days prior thereto; the Trustee, upon the

written request of the Company, shall pay over to the Company all sums which may be received by the Trustee representing interest and cash dividends; and the Trustee, upon written notice from the Company that any installment of interest has been paid on any Debt Security payable to bearer but without interest coupons, shall note or permit to be noted thereon the fact of such payment;

(b) The Trustee shall not (except with consent of the Company or as otherwise expressly authorized by the Mortgage) be entitled to enforce payment of the interest on any Debt Security deposited and pledged hereunder, or to enforce any provision of or exercise any right under any mortgage or other instrument pursuant to which such Debt Security was issued or by which the same is secured;

provided, however, and it is hereby declared and agreed that, except as in the Mortgage otherwise expressly provided:

(1) The Company shall not be entitled to collect and the Trustee shall not pay over to the Company, and if collected by the Company it shall forthwith pay over to the Trustee, with respect to any Securities deposited and pledged or required to be deposited and pledged hereunder, (i) the principal, in whole or in part, of any Debt Security; (ii) any interest on any Debt Security which shall have been paid out of the proceeds of any sale or condemnation of, or the proceeds of insurance on, the property covered by a mortgage or other lien securing such Debt Security, or out of the proceeds of sale of any property of the corporation liable upon such Debt Security in case of the dissolution, liquidation or winding up of such corporation, or out of any other proceeds of capital assets, it being the intent of the Mortgage that the Company shall be entitled to receive only interest paid out of revenues, rents, earnings, profits, or income; (iii) any amounts paid on redemption of any Security, other than on account of accrued interest or dividends otherwise payable to the Company hereunder; (iv) any liquidation dividends consequent upon the dissolution, or total or partial liquidation or winding up, or reduction of Stock, of any corporation; and (v)

any other dividends, whether payable in Stock, cash or property, except only such cash dividends;

(2) The Company shall not collect any such dividends, coupons or interest by legal proceedings or by the enforcement of any security therefor, except upon at least 30 days' prior written notice to the Trustee;

(3) Until actually paid, cancelled or discharged, each coupon or right to interest or dividends shall remain subject to the lien of the Mortgage, and the Company shall not sell, assign or transfer any such coupon or right to interest or dividends;

(4) The Company may release and discharge, in whole or in part, any and all claims for interest on any Railroad Subsidiary Securities deposited and pledged hereunder, when and as such interest becomes due; and

(5) The Trustee shall be entitled to assume that all such interest has been or will be paid out of revenues, rents, earnings, profits, or income and that all dividends paid in cash are or will be cash dividends representing earnings as aforesaid, unless and until the Trustee is notified in writing to the contrary by the payor, its agent, the Company or one or more Bondholders.

SECTION 3. Unless and until an Event of Default shall have occurred and be continuing, the Company shall have the right to vote and give consents in respect of all Securities deposited and pledged hereunder for all purposes not contrary to the provisions of the Mortgage or inconsistent therewith, and to consent to, ratify or waive notice of any and all meetings, with the same force and effect as though such Securities were not subject to the lien hereof; and the Trustee, in respect of Securities issued in its name or in the name of its nominee or nominees, shall upon the written request of the Company give suitable waivers of notice and consents and deliver to the Company, or to its nominee or nominees, suitable powers of attorney or proxies with or without power of substitution and either generally or for such one or more objects as such proxy shall specify. The Company covenants that it will not vote or permit to be voted or give or permit to be given

any consent in respect of any such Securities for any purpose contrary to the provisions of the Mortgage or of the First Mortgage or inconsistent therewith.

The Trustee, with the written consent of the Company delivered to the Trustee, accompanied by a Certified Resolution authorizing the same, and without such consent if an Event of Default shall have occurred and be continuing,

(a) may vote or give consents in respect of any Securities deposited and pledged hereunder and authorize such Securities to be voted and such consents to be given and may take such other action as to the Trustee, in its discretion, shall seem advisable to protect the interests of the Trustee and of the Bondholders in respect of any Securities subject to the lien hereof; and

(b) may in respect of any such Securities join in or become party to any plan of reorganization or readjustment (whether voluntary or involuntary) of the corporation issuing such Securities and deposit such Securities under such plan, and may make any exchange, substitution, cancellation or surrender of Securities required by any such plan and take such action with respect to Securities subject to the lien hereof as may be required by such plan for the accomplishment thereof. All new Securities issued and cash paid under any such plan in exchange for Securities previously deposited and pledged hereunder shall be deposited with the Trustee and held by it under and for the purposes expressed in the Mortgage.

SECTION 4. In case at any time

(a) default shall be made in the payment of the principal of or interest on any Debt Security deposited and pledged hereunder, or

(b) default shall be made in any of the covenants, terms or conditions contained in any such Debt Security or the mortgage or other instrument securing the same or pursuant to which the same shall have been issued, or

(c) the right shall arise to enforce, by foreclosure or otherwise, any such mortgage or other instrument,

then, and in any such case, upon the written request of the Company delivered to the Trustee, accompanied by a Certified Resolution authorizing the same, and without such request if an Event of Default shall have occurred and be continuing, the Trustee, as the holder of such Debt Security, may in its discretion exercise all rights of the holder thereof and all rights under the mortgage or other instrument securing the same, or pursuant to which it was issued, and cause such proceedings as may be approved by counsel to be instituted and prosecuted in a court of competent jurisdiction to enforce the payment of the principal and interest on such Debt Security and the performance of the covenants, terms or conditions therein and in such mortgage or other instrument contained and the foreclosure or other enforcement of such mortgage or other instrument, or otherwise.

SECTION 5. Unless an Event of Default shall have occurred and be continuing, the following transactions may be carried out and consummated:

(a) The renewal or extension of any Debt Security deposited and pledged hereunder at the same or a different rate of interest;

(b) The renewal or extension of any mortgage or other lien or instrument securing any Debt Securities deposited and pledged hereunder; and

(c) The issue in substitution for any Securities of a Railroad Subsidiary deposited and pledged hereunder of other Securities issued by the same Railroad Subsidiary which, except in the case of common Stock, shall be of the same or a greater aggregate principal amount or liquidation value, shall be secured by the same or an equivalent or prior lien or entitle the holder to an equivalent or superior liquidation and dividend preference, and shall bear the same or a different rate of interest or preferred dividend;

subject, however, to the following terms and conditions:

(1) All Securities so renewed or extended (if replaced by new Securities) and all Securities for which new Securities are substituted



shall be delivered by the Trustee to the corporation issuing the same solely for retirement.

(2) All Securities so issued in renewal, extension or substitution shall forthwith upon the issue thereof be deposited and pledged hereunder to the same extent and in the same manner as the Securities renewed or extended or for which they are substituted.

(3) No such substitution shall be made if it will so reduce the percentage of the number of shares of voting Stock of any Railroad Subsidiary owned by the Company that such Railroad Subsidiary would no longer be qualified as such.

(4) No such substitution shall be made if the substituted Securities are of an issue junior to the Securities to be retired.

(5) In each such case the Trustee shall be furnished with the following:

(A) An Officers' Certificate stating in substance as follows:

(i) the Securities (briefly described) to be renewed, extended or retired and the terms of such renewal, extension or retirement; (ii) the Securities (briefly described), if any, to be issued in substitution; (iii) that the renewal, extension or substitution will be to the benefit and advantage of the Company and will not be detrimental to the interest or security of the Bondholders; (iv) whether the Securities to be renewed or extended or for which new Securities are to be substituted are Securities of a Railroad Subsidiary; (v) that if such new Securities are to be substituted for Securities of a Railroad Subsidiary such substitution will not so reduce the number of shares of voting Stock of such Railroad Subsidiary then owned by the Company that such Railroad Subsidiary would no longer be qualified as such; (vi) that the Securities, if any, to be issued in substitution will not be junior to the Securities to be retired; and (vii) that no Event of Default has occurred and is continuing; and

(B) An Opinion of Counsel that such renewal, extension or substitution is in accordance with the provisions of the Mortgage and that any such Securities are subject to the lien of the Mort-

gage or will become subject to such lien upon delivery thereof or delivery of the instruments, if any, specified in said Opinion of Counsel; that the Company has valid title to such Securities and the right to own and pledge the same, free from any other lien; that such Securities have been duly authorized by all corporate action required under the laws of the state of incorporation, the charter (or other document of organization) and the by-laws of the Railroad Subsidiary and are valid; that no authorization by any commission or governmental authority is required by law for the issue of such Securities or for the valid ownership thereof by the Company or the pledge thereof as provided in Section 4 of Article III, except such authorization as shall be specified in said Opinion of Counsel, and which shall be evidenced by copies of the orders or certificates so specified, appropriately certified; and that said Securities of each such Railroad Subsidiary are valid obligations thereof and (i) if bonds, are secured by a valid general lien on all or substantially all of the physical property of such subsidiary, and (ii), if stocks, are fully paid and nonassessable.

Upon receipt of the instruments specified in clauses (A) and (B), and a Certified Resolution requesting any such extension, renewal or substitution, the Trustee shall permit the same and take any other action necessary to effect any such extension, renewal or substitution.

SECTION 6. The Trustee may sell, assign, transfer and deliver so many shares of the Stock of any corporation whose Stock is deposited and pledged under the Mortgage as may be necessary to qualify persons to act as directors of, or in any other official relation to, such corporation. In every such case the Company shall make such arrangements with the Trustee as shall be deemed necessary by the Trustee for the protection of the trusts hereunder.

SECTION 7. In case a corporation, any of the Securities of which shall be deposited and pledged under the Mortgage, shall be consolidated with or merged into, or shall convey all or substantially all of its properties to, the Company, the Securities of such corporation that

are deposited and pledged under the Mortgage shall be surrendered to the consolidated corporation or to the Company, as the case may be, but only if, as evidenced by an Opinion of Counsel furnished to the Trustee, (i) by virtue of such consolidation or merger and the application of the provisions of Article XI the lien of the Mortgage has extended to the property of such corporation the Securities of which are so surrendered, and (ii) in the case of any Debt Securities so surrendered which are secured by a lien on the property of such corporation, the lien of the Mortgage resulting from such consolidation or merger is substantially equivalent to the lien securing such Debt Securities.

SECTION 8. In case at any time

(a) any corporation, the Securities of which shall be deposited and pledged hereunder, shall be dissolved or liquidated, or

(b) all or any of the property of any such corporation shall be sold at any judicial sale, or

(c) any of the property covered by any mortgage securing any Debt Security deposited and pledged under the Mortgage shall be sold in foreclosure proceedings or other proceedings for the enforcement of such mortgage or the Debt Security thereby secured,

then, and in any such case, if the property of such dissolved or liquidating corporation or the property sold can be acquired by crediting on the Securities so pledged under the Mortgage any sum accruing or to be received thereon out of the proceeds of such property, and by paying not more than 10% of the price of such property in cash (or more than 10% if the Company or the holders of 25% in principal amount of the Outstanding Bonds shall so request), the Trustee in its discretion may, and if requested in writing by the Company or the holders of 25% in principal amount of the Outstanding Bonds and upon being provided with the amount of cash necessary therefor (whether

such amount be more or less than 10% of the price of such property) and security or indemnity satisfactory to it against any expense or liability on its part shall, purchase or cause to be purchased such property, either in the name or on behalf of the Trustee or of the Company or of purchasing trustees, as the Trustee may determine, and the Trustee shall use, or permit the Company to use, such Securities so far as may be permissible to make payment for such property. In the event of any such purchase, the Trustee shall take such steps as it may deem proper to cause such property either to be vested in the Company and subjected to the direct lien of the Mortgage or in some other corporation with power to acquire and operate such property. If such property is vested in some other corporation with power to acquire and operate such property, all Securities of such other corporation acquired directly or indirectly through such use of the pledged Securities shall be deposited and pledged under the Mortgage.

SECTION 9. The Company may, unless an Event of Default shall have occurred and be continuing, sell the Securities of any corporation which are deposited and pledged under the Mortgage, except Prior Lien Bonds, but only upon and subject to the following conditions:

(a) All Securities of such corporation pledged hereunder shall be sold simultaneously.

(b) The Trustee shall be furnished with an Officers' Certificate setting forth:

(1) A description of the Securities to be disposed of by the Company, a statement that the Securities so described include all Securities of such corporation pledged hereunder and a statement as to whether or not such corporation is a Railroad Subsidiary.

(2) A brief statement of the price or consideration to be received by the Company (which consideration may be cash, or cash and purchase money obligations secured by a pledge of the Securities to be sold) and a statement that the amount of such

consideration is not less than the fair value to the Company of the Securities to be sold and represents an adequate consideration therefor. None of such purchase money obligations shall mature more than five years from the date of issue, and the aggregate principal amount thereof shall not exceed 60% of the total amount of such consideration.

(3) If the Securities to be disposed of are Securities of a Railroad Subsidiary, a statement that such sale is subject to the provisions of Part B of Section 1 of Article X, accompanied by showings in compliance therewith, or a statement that the provisions of said Part B are not applicable to such sale.

(4) That no Event of Default has occurred and is continuing.

(c) The consideration stated in the Officers' Certificate provided for in subsection (b) of this Section 9 to be received by the Company shall be deposited and pledged with the Trustee.

(d) The Trustee shall be furnished with an Opinion of Counsel stating that (i) such sale is in accordance with the provisions of the Mortgage, (ii) the Trustee is authorized under the terms of the Mortgage to comply with the request of the Company in consummation of the sale, (iii) any purchase money obligations mentioned in the Officers' Certificate provided for in subsection (b) of this Section 9 are valid obligations, secured by a valid and enforceable pledge of the Securities to be sold, free and clear of prior liens, (iv) such pledge contains appropriate provision for the security and protection of the Bonds, and (v) all necessary consent or approval of all governmental authorities for the sale and acquisition of such Securities has been obtained or that no such consent or approval is necessary; and said opinion shall be accompanied by a certified copy of any such consent or approval specified in said opinion to be necessary.

(e) The Trustee shall be furnished with a Certified Resolution authorizing the sale of the Securities mentioned in the Officers' Certificate provided for in subsection (b) of this Section 9, and requesting the release thereof from the lien of the Mortgage.

Upon receipt by the Trustee of the instruments mentioned in subsections (b), (d) and (e) of this Section 9, and the consideration to be received by the Company as in such instruments stated, the Trustee shall release from the lien of the Mortgage, and deliver to or upon the written order of the Company, all Securities so to be sold at the time held by the Trustee.

SECTION 10. In case an Event of Default shall have occurred and be continuing, the Company shall no longer be entitled to receive the payments and exercise the rights theretofore permitted it pursuant to the provisions of this Article IX, but nevertheless, may do any of the things authorized to be done by it in Sections 2, 3, 5, 7, 8 and 9 of this Article IX upon compliance by it with the respective provisions of said sections, if the Trustee, in the exercise of its discretion, in writing expressly authorizes or assents to such action. The Trustee shall so authorize or assent to such action if requested by the holders of a majority in principal amount of the Outstanding Bonds.

SECTION 11. All moneys received by the Trustee in respect of any Securities deposited and pledged hereunder, unless the Company shall be entitled to receive the same under the provisions of Section 2 of this Article IX, shall be held, paid out or applied by it as in the case of money deposited upon the release of mortgaged property, in the manner provided in Section 7 of Article X.

SECTION 12. Forthwith on demand of the Trustee the Company will pay, or will provide for in a manner satisfactory to the Trustee, all expenditures incurred by the Trustee under any of the provisions of this Article IX, including all sums required to obtain and perfect the ownership and title to any property which the Trustee shall cause or authorize to be purchased pursuant to any provision of this Article IX; and the Trustee in its discretion, without impairment of or prejudice to any of its rights under the Mortgage by reason of any default of the Company, may but shall not be obligated to advance any or all

such expenses and such other moneys as may be required, or may procure such advances to be made by others, and for such advances made by the Trustee or by others at its request, with interest thereon at the rate of 4% per annum, the Trustee shall have a lien upon the mortgaged property in priority to the lien of the Bonds, except as to funds held in trust for the benefit of the holders of particular Bonds or coupons.

SECTION 13. The Company may at any time sell, and the Trustee shall release from the lien of the Mortgage, any or all Securities pledged and deposited with the trustee of the First Mortgage upon delivery to the Trustee of a Certified Resolution requesting such release accompanied by a statement in writing of the trustee of the First Mortgage certifying that such Securities have been released from the lien of the First Mortgage in accordance with the applicable terms and provisions thereof as they existed on the date of the execution and delivery of the Mortgage.

## **ARTICLE X.**

### **Possession, Use and Release of Property.**

SECTION 1. While the Company shall remain in possession of the mortgaged property, it shall be entitled to manage, operate, use and enjoy all and singular the property subject to the Mortgage (except any cash or Securities deposited or pledged or required to be deposited or pledged with the Trustee under the terms of the Mortgage or with the trustee under the terms of the First Mortgage) and to receive, take and use the rents, incomes and profits thereof subject to the terms of the Mortgage. The subsequent provisions of this Section 1 are for the purpose of permitting the advantageous use of the property subject to the Mortgage in the operation and management of the business so as most judiciously to maintain the value of such property of the Company and the value of the security for the Bonds.

PART A. While remaining in possession of the mortgaged property, the Company shall be entitled in the usual and ordinary conduct of its business:

(a) to alter, repair, dismantle when no longer useful, replace, change and add to its buildings, roadways, trackage, Equipment, materials, supplies and any other physical property;

(b) to make any change in the location of its lines, tracks, station houses, buildings or other structures situated upon or comprising any part of the property subject to the Mortgage to other premises, if said lines, tracks, station houses, buildings, structures and the premises whereon they are relocated shall be or concurrently become subject to the lien of the Mortgage to the same extent and with the same priority of lien as before such relocation; and

(c) to modify the rights under, or to abandon or terminate, any trackage, terminal, operating or other contract, agreement or lease, easement, franchise, license, authority or permit under which the Company may now or hereafter conduct its railroad operations; provided, in the case of any modification, that the same does not substantially impair the rights of the Company in its railroad operations or in the judgment of the Company impair the security or interests of the Bondholders, and in the case of any abandonment or termination, that such rights are no longer required for the railroad operations of the Company, and that rights of operation, substantially equivalent as to scope and term, are otherwise owned or are concurrently to be acquired and subjected to the lien of the Mortgage to the same extent and with the same priority of lien as existed prior to the modification, abandonment or termination.

PART B. To increase operating efficiency and effect economies by elimination of unnecessary trackage or unnecessary duplication of trackage within its own transportation system which is subject to the lien of the Mortgage, and by facilitating the coordination of operations of such transportation system with operations of the transportation



systems of other railroads, the Company, while remaining in possession of the mortgaged property, may, under the conditions and upon compliance with the provisions of Sections 2 and 3 of this Article X to the extent applicable:

(a) Sell, exchange for other property, abandon, lease or otherwise dispose of any part of its lines of railroad (including any leasehold, easement, trackage right or other interest therein) which are subject to the lien of the Mortgage, but only if, at or prior to such sale, exchange, abandonment, lease or other disposition,

(1) there shall be filed with the Trustee a Certified Resolution determining and expressing the judgment of the Board of Directors that

(i) such sale, exchange, abandonment, lease or other disposition will increase operating efficiency and effect economies by elimination of unnecessary trackage or unnecessary duplication of trackage within the Company's own transportation system then subject to the lien of the Mortgage, or by facilitating the coordination of operations of such transportation system with operations of the transportation systems of other railroads, and will not substantially impair the ability of the Company to handle the traffic of its transportation system, and

(ii) that the property so to be sold, exchanged, abandoned, leased or otherwise disposed of is no longer deemed necessary or expedient in the operation of its transportation system and that the security or interests of the Bondholders will not be impaired thereby; and

(2) there shall also be filed with the Trustee, as to any part of such lines of railroad (including any leasehold, trackage right or other interest therein) desired to be sold, exchanged, abandoned, leased or otherwise disposed of, an Officers' Certificate stating the facts relied upon to show that

(i) such part of said lines of railroad is a branch or spur line, or is otherwise so separable from any main line serving

principal points that such sale, exchange, abandonment, lease or other disposition will not break the continuity of such main line between the principal points served thereby, or

(ii) after said sale, exchange, abandonment, lease or other disposition there will remain at least one other route subject to the lien of the Mortgage between the principal points served by the part of such line to be sold, exchanged, abandoned, leased or otherwise disposed of, over which the traffic of its transportation system between such principal points may be handled with substantially equal facility, or

(iii) the Company has acquired, or upon such sale, exchange, abandonment, lease or other disposition will acquire, rights over lines of another railroad company through joint ownership, lease or trackage agreement whereby facilities will be available for general continuity of operation of its transportation system which are substantially equivalent to the facilities therefor of the lines of railroad to be sold, exchanged, abandoned, leased or otherwise disposed of, and that any such lease or trackage agreement, as evidenced by an Opinion of Counsel furnished to the Trustee, will extend at least beyond the latest date of maturity of any of the Bonds then outstanding and will not be subject to termination prior to its expiration date on account of any lien on the property covered thereby; and

(3) there shall be pledged with the Trustee or otherwise subjected to the lien of the Mortgage, subject only to the First Mortgage and Permitted Encumbrances, in such manner as shall be deemed sufficient in an Opinion of Counsel furnished to the Trustee, any and all rights of joint ownership, leases, and trackage agreements acquired by the Company and referred to in such Officers' Certificate pursuant to the preceding clause (2) (iii).

Any lease of property of the Company made pursuant to this subdivision (a) shall be made expressly subject to immediate termination by the Trustee at any time upon the occurrence of an Event of Default and at any time during the continuance thereof, and also by the purchaser of the property so leased upon any sale thereof,

whether such sale be made under the power of sale hereby conferred or under judicial proceedings.

Notwithstanding the foregoing provisions of this Part B, any line or portion of a line of railroad (including any leasehold, easement, trackage right or other interest therein) subject to the lien of the Mortgage may be sold, exchanged, abandoned, leased or otherwise disposed of upon compliance solely with the provisions of clause (1) of this subdivision (a), if in the judgment of the Trustee such sale, exchange, abandonment, lease or other disposition will not materially and adversely affect the security for the Bonds or the interests of the holders thereof, or if such sale, exchange, abandonment, lease or other disposition is with the approval or direction of the holders of a majority of all Outstanding Bonds, such approval or direction being made and evidenced pursuant to the provisions of Article XII and filed with the Trustee.

(b) Sell, exchange or otherwise dispose of an undivided interest in any part of any line of railroad, or in any bridge or terminal, which is subject to the lien of the Mortgage, or grant an easement over, or enter into a trackage agreement providing for the use by another railroad of, any such line of railroad, or bridge or terminal, with or without the use of appurtenant shop or other operating and service facilities; and any such easement or trackage right may, but need not, extend for a longer period than the latest maturity of any of the Bonds then outstanding, and may, but need not, be subject to termination by the Trustee upon the occurrence or during the continuance of any Event of Default, or by the purchaser of any property to which the same relates upon any sale thereof by virtue of the power of sale hereby conferred or under judicial proceedings; but in the case of each such sale, exchange or other disposition of an undivided interest or in case any such easement or trackage right shall extend for a longer period, as aforesaid, or is not subject to termination, as aforesaid, then at or prior thereto

(1) there shall be furnished to the Trustee an Opinion of Counsel that there has been adequately preserved to the Company the equal or prior right to the use of any such line of railroad, bridge, or terminal in which an undivided interest has been disposed of or as to which an easement or trackage right has

been so granted, and to appurtenant facilities, if any, as to which a right of use has been so granted, and

(2) there shall be filed with the Trustee a Certified Resolution determining and expressing the judgment of the Board of Directors, in the case of any such sale, exchange or other disposition, that the same is advantageous to the economical and efficient operation of the business of the Company, or, in the case of any such easement or trackage right agreement, that the terms thereof are reasonable and advantageous to the economical and efficient operation of the business of the Company and, in either case, that such transaction will not substantially impair the ability of the Company to handle the traffic of its transportation system subject only to the liens of the Mortgage, First Mortgage and Permitted Encumbrances at or between the principal points served thereby nor impair the security or interests of the Bondholders.

In case an easement over, or a trackage agreement providing for the use by another railroad of, any part of any line of railroad or in any bridge or terminal shall be granted by the Company for a longer period than the latest maturity of any of the Bonds then outstanding or not be subject to termination by the Trustee upon the occurrence or during the continuance of any Event of Default or by the purchaser of any property to which the same relates upon any sale thereof by virtue of the power of sale hereby conferred or under judicial proceedings, the Trustee shall, at the request of the Company and upon receiving the Opinion of Counsel and Certified Resolution with respect thereto as provided in this subdivision (b), execute and deliver a certificate or consent to the granting of such easement or trackage agreement.

Any principal point which is the terminus of any line of railroad of the Company subject to the lien of the Mortgage shall cease to be a principal point if, for any period of five successive years after the date of the Mortgage, traffic over the line, or a portion thereof serving such point designated as provided in the following sentence, has been such that the operation by the Company of such line or such designated portion, as the case may be, has been without profit during the whole of such period. Upon filing with the Trustee an Officers' Certificate designating any such principal

point and the line serving such point, or a specified portion thereof, and showing facts with respect to traffic and operation of such line or such specified portion thereof, as the case may be, fulfilling to the satisfaction of the Trustee the requirements of this paragraph, together with a Certified Resolution expressing the judgment of the Board of Directors that the principal point described in said Certificate is in fact no longer a principal point in the operation of such line of railroad, then said principal point shall no longer be deemed or treated as a principal point on such line for any purpose under the provisions of this Part B.

The provisions and limitations of this Part B shall govern any sale by the Company, pursuant to the provisions of Article IX, of the securities of any Railroad Subsidiary.

PART C. In case the Company desires to abandon any line of railroad (including any leasehold, easement, trackage right or other interest therein) subject to the lien of the Mortgage, prior to any such abandonment the Company shall furnish to the Trustee, in addition to all other requirements of this Section 1, an Opinion of Counsel stating that any requisite approval of the Interstate Commerce Commission or other governmental authority having jurisdiction in the premises has been obtained for such abandonment and said Opinion of Counsel shall be accompanied by a certified copy of the order, if any, expressed to be so required.

SECTION 2. Except as hereinafter specifically provided in this Section 2, the Company while remaining in possession of the mortgaged property may, without obtaining a release from, action by or giving notice to the Trustee and without other action or proceeding on the part of the Company hereunder:

- (a) In the ordinary conduct of its business, sell, exchange or otherwise dispose of, free from the lien of the Mortgage, any office equipment, machinery, tools, furniture and other chattels (except Equipment) which may have become obsolete, worn out,

unservicable or no longer required in the conduct of its business; provided the Company shall, within a reasonable time, replace the same with other property which shall become subject to the lien of the Mortgage and be of a value at least equal to the value of the old property at the time of disposition;

(b) In the ordinary course of its business, sell, exchange or otherwise dispose of, free from the lien of the Mortgage, any Equipment which is no longer useful, any buildings, bridges, structures, industrial tracks, side tracks or yard tracks which the Company has desired in the conduct of its business to retire from use, and any land constituting abandoned right of way or station grounds, or industrial sites or other land (with or without improvements thereon) which is no longer useful to the Company, if the consideration received on any such sale or other disposition does not exceed \$10,000; provided that if the Company shall receive any cash or other consideration (other than property, which may but need not have a similar substitutional use, and which shall become subject to the lien of the Mortgage) on any such sale or other disposition, it shall deposit with the Trustee, or with the trustee of the First Mortgage, or with the trustee or mortgagee of any Prior Lien or Permitted Encumbrance as permitted by the provisions of Section 4 of this Article X, such cash and shall subject to the lien of the Mortgage such other consideration; and

(c) Make any lease of any of the mortgaged property, other than its lines of railroad (including any leasehold, trackage right or other interest therein), bridges or terminals, or grant any easement, license or other right with respect to any of the mortgaged property which does not interfere with the use and operation of its lines of railroad, bridges and terminals, provided such lease, easement, license or other right is subject to the continuing lien of the Mortgage.

On or before April 1, 1949, and on or before April 1 of each succeeding year, the Company shall file with the Trustee a report for the preceding calendar year signed as in the case of an Officers' Certificate

and setting forth in reasonable detail a description of the property sold, exchanged or otherwise disposed of during the preceding calendar year under subsection (b) of this Section 2, the cash or other consideration received by the Company in connection with each such sale, exchange or other disposition (showing separately, in the case of such other consideration, that which shall have become, and that which shall not have become, subject to the lien of the Mortgage), the total amount of consideration received during the preceding calendar year for property so sold, exchanged or otherwise disposed of, and the total amount thereof deposited with the trustee of the First Mortgage or with the trustee or mortgagee of any Prior Lien or Permitted Encumbrance as permitted by the provisions of Section 4 of this Article X.

Such report shall be accompanied by an Engineer's Certificate stating that the respective considerations received in all cases of sales, exchanges or other dispositions made under subsection (b) of this Section 2 represented the fair value to the Company of the property sold or otherwise disposed of and that in no case was the consideration received in any one sale or other disposition in excess of \$10,000 and stating the fair value to the Company of all such consideration other than cash.

In order to evidence the termination of the lien of the Mortgage on any property sold, exchanged or otherwise disposed of in accordance with this Section 2 the Trustee shall execute and deliver confirmatory releases or certificates that such property is free from the lien of the Mortgage from time to time at the request of the Company upon receiving an Officers' Certificate describing in reasonable detail the property to be released, and stating that it has been sold, exchanged or otherwise disposed of under the provisions of this Section 2 and in full compliance with the terms and conditions prescribed herein, and an Engineer's Certificate stating the fair value to the Company of the property to be released and the fair value to the Company of all consideration, other than cash, to be received by the Company therefor,

and stating that the consideration, including cash, received or to be received by the Company for such property represented the fair value of such property to the Company and does not exceed \$10,000.

SECTION 3. PART A. From time to time unless and until an Event of Default shall have occurred and be continuing, the Company may sell or dispose of, and in connection therewith obtain the release of, any part of the property subject to the lien of the Mortgage, other than cash or purchase money obligations held by the Trustee or Securities deposited and pledged with the Trustee, provided that the applicable provisions, if any, of Part B of Section 1 of this Article X are complied with; and the Trustee shall release from the lien of the Mortgage any such property if the fair value (as determined by the Engineer in accordance with the provisions of clause (g) of Part B of this Section 3) of the part of the property to be released shall not exceed the aggregate of:

(a) The cash, then being deposited with the Trustee or with the trustee of the First Mortgage or with the trustee or mortgagee of any Prior Lien or Permitted Encumbrance as permitted by the provisions of Section 4 of this Article X, which shall have been or is to be concurrently received by the Company as consideration or part consideration for the disposition of the property to be released;

(b) The principal amount of any purchase money obligations, then being deposited and pledged with the Trustee or with the trustee of the First Mortgage or with the trustee or mortgagee of any Prior Lien or Permitted Encumbrance as permitted by the provisions of Section 4 of this Article X, which shall have been received by the Company as consideration or part consideration for the disposition of the part of the property to be released and which shall be secured by a purchase money mortgage thereon; provided that

(1) such purchase money obligations shall mature within five years of the date thereof and shall be included only to the



extent that the principal amount thereof does not in the aggregate exceed 60% of the fair value, determined as aforesaid, of the property to be released; and

(2) the aggregate principal amount of such purchase money obligations and all other purchase money obligations pledged with the Trustee pursuant to the provisions of this Section 3, and then held subject to the lien of the Mortgage (or pledged with the trustee of the First Mortgage or with the trustee or mortgagee of any Prior Lien or Permitted Encumbrance, as permitted by the provisions of Section 4 of this Article X, and then held by such trustee or mortgagee) shall not exceed 10% of the aggregate principal amount of Bonds outstanding at the date of the Application for release filed with the Trustee pursuant to the provisions of clause (b) of Part B of this Section 3; and

(c) The Cost of Additions and Betterments not theretofore Bonded then certified to the Trustee in the Officers' Certificate filed with the Trustee, pursuant to the provisions of clause (c) of Part B of this Section 3, with respect to Additions and Betterments which have been or are to be concurrently acquired by the Company as consideration or part consideration for the disposition of the property to be released and which shall not at the time of acquisition be subject to any lien, other than the First Mortgage and liens in the nature of Permitted Encumbrances, prior to the lien of the Mortgage.

PART B. Prior to the release of any part of the property from the lien of the Mortgage under this Section 3 there shall in each case have been delivered to the Trustee:

(a) A Certified Resolution authorizing or approving the request for release and stating that in the judgment of the Board of Directors such release is desirable in the conduct of the business of the Company;

(b) An Application for such release;

(c) An Officers' Certificate which shall contain:

(1) a description in reasonable detail of the property a release of which is requested, and the fair value thereof as stated in the Engineer's Certificate required by clause (g) of this Part B;

(2) a statement of the amount of cash, if any, being deposited pursuant to clause (a) of Part A of this Section 3;

(3) a description in reasonable detail of the purchase money obligations, if any, being pledged pursuant to clause (b) of Part A of this Section 3, a statement that such purchase money obligations have been received as consideration or part consideration for the disposition of the property to be released, a statement that such purchase money obligations do not exceed the limitations of clause (b) (1) of Part A of this Section 3, and a computation showing that the principal amount of all such purchase money obligations does not exceed the limitations of clause (b) (2) of said Part A;

(4) a statement of the Cost of Additions and Betterments which have been or are to be concurrently acquired as consideration or part consideration for the property to be released, and a description in reasonable detail of such Additions and Betterments;

(5) a statement that no Event of Default has occurred and is continuing;

(6) a statement accompanied by a showing of compliance with Part B of Section 1 of this Article X with respect to the property the release of which is applied for, or a statement that such property does not constitute any part of the lines of railroad or any bridge or terminal subject to the lien of the Mortgage or any leasehold, easement, trackage right or other interest therein; and

(7) a statement as to whether the property, the release of which is applied for, is subject to any Prior Lien or Permitted Encumbrance of the nature referred to in Section 4 of this Article X, and identifying any such liens;

(d) Any cash then being deposited with the Trustee pursuant to clause (a) of Part A of this Section 3, or, if any cash is being deposited with the trustee of the First Mortgage or with the trustee or mortgagee of any Prior Lien or Permitted Encumbrance as permitted by the provisions of Section 4 of this Article X, in connection with the release of the property to be released, a written statement of such trustee or mortgagee, as the case may be, certifying that such cash has been deposited with it;

(e) Any purchase money obligations then being deposited and pledged with the Trustee pursuant to clause (b) of Part A of this Section 3, or, if any purchase money obligations are then being pledged with the trustee of the First Mortgage or with the trustee or mortgagee of any Prior Lien or Permitted Encumbrance as permitted by the provisions of Section 4 of this Article X, in connection with the release of the property to be released, a written statement of such trustee or mortgagee, as the case may be, certifying that such purchase money obligations have been pledged with it, together, in either event, with any and all assignments thereof, supplemental indentures or other instruments which, as set forth in the Opinion of Counsel furnished pursuant to clause (h) of this Part B, are stated to be necessary or advisable to duly assign to the Trustee subject to such lien, or otherwise to render subject to the lien of the Mortgage, such purchase money obligations;

(f) All such deeds, supplemental indentures, or instruments of further assurance, which, as set forth in the Opinion of Counsel furnished pursuant to clause (h) of this Part B, are stated to be necessary or advisable to subject to the lien of the Mortgage any property constituting Additions and Betterments included in the Officers' Certificate filed with the Trustee pursuant to clause (c) of this Part B;

(g) An Engineer's Certificate stating the fair value to the Company of the property a release of which is requested;

(h) An Opinion of Counsel to the effect that:

(1) any purchase money obligations pledged with the Trustee, or with the trustee of the First Mortgage, or with the trustee or mortgagee of any Prior Lien or Permitted Encumbrance as permitted by Section 4 of this Article X, have been validly issued; that the assignments, supplemental indentures or other instruments delivered to the Trustee pursuant to clause (e) of this Part B duly assign to the Trustee subject to such lien, or otherwise render subject to the lien of the Mortgage, such purchase money obligations, or that no such instruments are required for such purpose; and that such purchase money obligations are secured by a valid lien upon the property released subject to no liens prior or equal to the lien thereof, except any liens which were Permitted Encumbrances on the property released and except any Prior Lien to which the property released was subject; and

(2) the property constituting Additions and Betterments specified in the Officers' Certificate filed with the Trustee pursuant to clause (c) of this Part B is subject to the lien of the First Mortgage (so long as it remains a lien on the mortgaged property) and to the lien of the Mortgage or will become subject to such lien upon the delivery and recording or filing of the deeds, supplemental indentures, or instruments of further assurance, if any, specified in said Opinion of Counsel, subject to no defect in title and subject to no lien thereon prior or equal to the lien of the Mortgage, except the First Mortgage; provided that such Opinion of Counsel may recite that it is based upon certificates or opinions of officers or engineers of the Company as to any matters of fact not of public record.

SECTION 4. If, under the provisions of the First Mortgage or of any Prior Lien or Permitted Encumbrance on any part of property to be released from the Mortgage, there is required to be made with or to the trustee or mortgagee under such lien a deposit of cash or pledge of purchase money obligations in order to obtain a release therefrom of such part of the property subject to the Mortgage, the Company shall not be required to deposit or pledge with the Trustee such cash or

purchase money obligations to the extent that the Company shall deposit such cash and pledge such purchase money obligations with the trustee or mortgagee of such lien.

SECTION 5. Should any part of the property subject to the lien of the Mortgage be taken by the exercise of the power of eminent domain or should any governmental body at any time exercise any right which it may have to require the sale to it or to a purchaser designated by it of any part of the property subject to the lien of the Mortgage, the Trustee, upon request of the Company, shall release the property so taken or sold upon being furnished with an Opinion of Counsel to the effect that such part of the property subject to the lien of the Mortgage has been lawfully taken or sold as aforesaid. The aforesaid Opinion of Counsel shall state the amount of proceeds received or to be received for the property so taken or sold. Subject to the provisions of Section 4 of this Article X, the proceeds of all property so taken or sold shall be deposited with the Trustee.

SECTION 6. In order to confirm, secure or clear (of record or otherwise) the prior right, charge, lien or title with respect to Equipment securing any Equipment Obligation hereafter created under reservation of right set forth in connection with the granting clauses of the Mortgage, the Trustee shall, upon compliance with the subsequent provisions of this Section 6, either confirm as to such Equipment the subordination of the lien of the Mortgage to such prior right, charge, lien or title, or release such Equipment from the lien of the Mortgage.

Prior to any such confirmation of subordination or release there shall be delivered to the Trustee a Certified Resolution requesting such action by the Trustee and an Officers' Certificate which shall describe the Equipment as to which a confirmation of subordination or a release is requested, shall describe the Equipment Obligation to be secured by a prior right, charge, lien or title thereon, shall state that such Equipment was acquired or constructed for the use of the Company within two

years preceding the date of such Certificate, and shall state that none of said Equipment has theretofore been Bonded.

There shall also be furnished to the Trustee an Opinion of Counsel and the instrument or instruments to be executed and delivered by the Trustee in order to effect the requested confirmation of subordination or release. Such Opinion of Counsel shall approve the form of the instrument or instruments furnished therewith and shall express the opinion that, after the execution and delivery by the Trustee of such confirmation of subordination or release, the lien of the Mortgage will continue to attach to all right, title or interest of the Company then or thereafter existing with respect to the Equipment described in the Certificate, subject only to the prior right, charge, lien or title of the Equipment Obligations therein described, and to the First Mortgage; but such expression of opinion may be predicated upon the execution and delivery of other instruments in addition to those specified above, or the taking of other action, in which case the Company shall cause such other instruments to be executed and delivered or such other action to be taken.

SECTION 7. Unless an Event of Default shall have occurred and be continuing, all moneys held by the Trustee under this Article X, at the option of the Company:

(a) May be withdrawn by the Company upon its written Application, accompanied by a Certified Resolution authorizing such Application, (1) in an amount equal to the Cost of Additions and Betterments acquired or constructed after the date of the deposit of the moneys desired to be withdrawn, provided such Cost has not been Bonded, or (2), to the extent such funds were derived from insurance on, salvage from or sales of Equipment, for application to or on account of the acquisition of Equipment; but only upon delivery to the Trustee of an Officers' Certificate dated not more than 30 days prior to the delivery thereof, containing a description in reasonable detail of the property constituting the Additions and Betterments and a statement of such Cost, and that no part of such Cost has theretofore been Bonded, or a description

of such Equipment, as the case may be, and that no Event of Default has occurred and is continuing. There shall be delivered to the Trustee, accompanying said Application, to the extent applicable, deeds and instruments of transfer and an Opinion of Counsel of the character required in clauses (f) and (h) (2) of Part B of Section 3 of this Article X.

(b) May be withdrawn by the Company upon its written Application, accompanied by a Certified Resolution authorizing such Application, in an amount equal to  $133\frac{1}{3}\%$  of the principal amount of Bonds to the authentication and delivery of which the Company would then be entitled on account of the Net Cost of Additions and Betterments under the provisions of Section 2 of Article III. On any such Application the Company shall comply with all applicable provisions of Section 2 of Article III relating to the authentication and delivery of Bonds and the provisions of Section 7 of Article III, except that it shall not be required to comply with any of the provisions of Section 7 of Article III other than subsections (d) (4) and (e) of said Section 7. Any withdrawal of cash under this paragraph shall be in lieu of the right of the Company to the authentication and delivery of Bonds on account of such Net Cost of Additions and Betterments.

(c) May be withdrawn by the Company upon its written Application in an amount not exceeding the principal amount or the cost (exclusive of interest) to the Company, whichever is less, of any Bonds (not theretofore Bonded, or acquired, retired, cancelled or paid through the operation of any sinking fund or analogous fund established pursuant to the Mortgage or the First Mortgage) theretofore authenticated and delivered under the Mortgage, which shall have been cancelled or surrendered to the Trustee for cancellation, but only upon delivery to the Trustee of

(1) an Officers' Certificate describing the Bonds the cancellation or surrender for cancellation of which forms the basis for the proposed withdrawal of cash, stating the cost thereof (exclusive of interest) to the Company, and stating that said Bonds have theretofore been duly issued and outstanding and reacquired by the Company, that none of said Bonds has theretofore been Bonded, or acquired, retired, cancelled or paid

through the operation of any sinking fund or analogous fund established pursuant to the Mortgage or the First Mortgage, and that no Event of Default has occurred and is continuing; and

(2) the particular Bonds together with all appropriate coupons, if any, appertaining thereto.

(d) May be applied, upon the written request of the Company, signed by its President or a Vice President, accompanied by a Certified Resolution authorizing such request, to the payment at maturity or to the redemption of Bonds then outstanding of any series determined by said Resolution. Any such request of the Company for the application of moneys pursuant to this subsection (d) shall also be accompanied by an Officers' Certificate stating that no Event of Default has occurred and is continuing.

The Company covenants that whenever any redemption of Bonds shall be applied for under the provisions of subsection (d) of this Section 7, it will take all action necessary, or authorize the Trustee to take all action necessary, to redeem such Bonds at the earliest applicable redemption date, and will deposit with the Trustee on or before the date fixed for redemption additional moneys sufficient to pay the premium and all accrued and unpaid interest on the Bonds so to be redeemed to the date so fixed for redemption.

Whenever the Company shall so request by Certified Resolution filed with the Trustee, provided no Event of Default shall have occurred and then be continuing, any moneys at the time held under this Article X by the Trustee shall be invested by it in such direct obligations of the United States of America maturing within two years as shall be specified in such Resolution. Such obligations shall be held by the Trustee in lieu of the moneys invested therein subject to its absolute right to liquidate such investment in such manner and at such time or times as, in the exercise of its discretion, it deems to be advisable. The Company covenants that upon demand by the Trustee it will replace all moneys lost through any investment made and liquidated as by this Section 7 contemplated, and will pay or reimburse the Trustee for all accrued



interest, commissions and expense paid or incurred in connection with the acquisition and liquidation of such investment. The Trustee shall have the right and duty to receive all amounts paid on account of any investment made by it as hereby contemplated, including all interest payments, shall retain such interest payments pending liquidation of such investment, and after such liquidation shall retain so much of such interest payments as may be necessary to replace any loss of moneys suffered or to pay or reimburse itself for any accrued interest, commissions or expense paid or incurred in connection with the acquisition and liquidation of such investment and not replaced, paid or reimbursed by the Company as above provided, and shall pay over any balance of such interest payments to the Company.

SECTION 8. The Trustee shall not be required under any of the provisions of this Article X to release any part of the property subject to the lien of the Mortgage from the lien hereof at any time when an Event of Default shall have occurred and be continuing; but, notwithstanding any such Event of Default, the Trustee may do so upon compliance by the Company with the provisions of Section 3 of this Article X except clause (c) (5) of Part B of said Section 3, if the Trustee in its discretion shall deem that such release will not adversely affect the interests of the Bondholders, or if the holders of a majority in principal amount of the Outstanding Bonds shall request the Trustee so to do.

SECTION 9. In no event shall any purchaser or purchasers of any part of the mortgaged property sold or disposed of under any provisions of this Article X be required to ascertain the authority of the Trustee to execute any release, to see to the application of the purchase money or to inquire as to any facts required by the provisions hereof for the exercise of such authority.

SECTION 10. Notwithstanding any of the provisions of the Mortgage, the Trustee shall release, either before or after an Event of Default shall have occurred, the lien of the Mortgage as to any property

or properties or part or parts thereof at any time subject thereto, and cause such property or properties to revert to the Company free and clear of such lien; provided, however, that, prior to the release of any such property under this Section 10, there shall have been delivered to the Trustee in each case:

(a) a request (evidenced as provided in Section 1 of Article XII) of the holders of not less than 75% in aggregate principal amount of all Outstanding Bonds, to release the property in question and the selection and designation by such holders of the independent railroad expert referred to in subsection (c) below; or

(b) the record showing that the holders of not less than 85% in aggregate principal amount of all Outstanding Bonds represented at a Bondholders' Meeting, called and conducted pursuant to Article XIII hereof, at which not less than 50% in aggregate principal amount of all Outstanding Bonds were represented, requested the release of the property in question and selected and designated the independent railroad expert referred to in subsection (c) below; and

(c) in either case, a report of the independent railroad expert selected and designated pursuant to either subsection (a) or subsection (b) above, to the effect that such property is no longer of value to the holders of Outstanding Bonds and that, in his opinion, a proper allocation of revenues and expenses thereto then shows, and in the future may reasonably be expected to show, a loss.

SECTION 11. Notwithstanding any of the provisions of the Mortgage, until the First Mortgage shall be satisfied or released, no release of property from the lien of the Mortgage, other than releases of property pursuant to Section 10 of this Article X, shall be effective unless such property shall have been, or shall at the same time be, released from the lien of the First Mortgage.

SECTION 12. In the event the Company shall elect to improve or develop for a ship terminal that portion of its waterfront property on the Savannah River in Savannah, Georgia, described as follows:

“Beginning at the Northeast corner of the pier of Ocean Steamship Company on the Savannah River extending thence Eastwardly along the Savannah River One Thousand and Fifteen (1,015) feet, more or less, to the right of way of the Savannah and Ogeechee Canal, thence Southwesterly along the property line of the Savannah and Ogeechee Canal a distance of Six Hundred and Fifty (650) feet to the present Southern side of River Street, thence in a Westerly direction along the Southern line of the proposed relocation of River Street One Thousand One Hundred and Sixty-Five (1,165) feet, more or less, to the Eastern line of Ocean Steamship Company’s pier property projected, thence in a Northeasterly direction along the Easterly line of said pier property and projection thereof Three Hundred and Twenty-Eight (328) feet, more or less, to a point, thence Eastwardly at right angles One Hundred (100) feet, more or less, to a point, thence Northeastwardly along the driveway serving the Ocean Steamship Company’s City Delivery Shed Eight Hundred and Ten (810) feet, more or less, to a point, thence Westwardly at right angles One Hundred and Ten (110) feet, more or less, to a point, thence Northeastwardly at right angles One Hundred and Fifteen (115) feet, more or less, to the point of beginning on the Savannah River; the said tract of land containing Nineteen and Fifty-Five Hundredths (19.55) acres, more or less, and being more fully shown outlined in red on print of Central of Georgia Railway Company’s Plan No. 99-74.”

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and provided that no Event of Default shall have occurred and be continuing, the lien of the Mortgage on said property shall be subordinated to the lien of any mortgage or other indenture securing indebtedness incurred or to be incurred by the Company for such improvement or development. The Trustee shall execute and deliver any and all documents necessary to effectuate such subordination provided that there shall first be delivered to the Trustee (a) a Certified Resolution authorizing such improvement or development and requesting such subordination and (b) an Opinion of Counsel that satisfactory arrange-

ments have been made (such arrangements to be specified in such Opinion) whereby the subordination of the Mortgage will be limited to the sum of (i) the amounts expended for such improvement or development and (ii) any additional indebtedness incurred for amounts intended to be, but not yet, expended for such improvement or development and on which the Mortgage will be a lien, subject only to the lien of the mortgage or other indenture to which the Mortgage is to be subordinated.

If the Company shall elect so to improve or develop said waterfront property and it shall prove necessary or desirable to relocate that portion of River Street which lies within the boundaries of said property, title to which is in the City of Savannah, the Company may convey to the City of Savannah free from the lien of the Mortgage so much of the above-described property as shall be required for the relocation of River Street in exchange for the conveyance to the Company, and the subjection to the lien of the Mortgage, of that portion of River Street to be abandoned by reason of such relocation.

SECTION 13. Whenever there shall be delivered to the Trustee a copy of an instrument of release certified by the trustee under the First Mortgage to be a true copy of an instrument of release executed and delivered by it and accompanied by an opinion of counsel to the trustee under the First Mortgage that said instrument of release has been executed and delivered in conformity with the provisions of the First Mortgage and an Opinion of Counsel that the property described in said instrument of release was, at the time of such release, subject to the lien of the First Mortgage prior to the lien of this Mortgage, the Trustee shall, on the written request of the Company, thereupon release such of the property described in said instrument of release as shall be subject to the lien of the Mortgage.

**ARTICLE XI.**

**Consolidation, Merger, Conveyance and Lease.**

SECTION 1. Nothing in the Mortgage or in any Bond shall prevent the consolidation or merger of the Company with or into any other corporation lawfully entitled to acquire and operate the same or successive consolidations or mergers to which the Company or its successor or successors shall be a party or parties, or shall prevent any conveyance or lease, subject to the continuing lien of the Mortgage, of all or substantially all of the mortgaged property to any such other corporation; provided, however, that:

(a) Every such consolidation, merger, conveyance or lease shall be on such terms as shall fully preserve the lien and security of the Mortgage and the rights and powers of the Trustee and of the Bondholders hereunder;

(b) Any such lease shall be made expressly subject to immediate termination by the Trustee at any time upon the occurrence of an Event of Default and during the continuance thereof, and also by the purchaser of the property so leased upon any sale thereof whether such sale be made under the power of sale hereby conferred or under judicial proceedings;

(c) Upon any such consolidation, merger, conveyance or lease, the successor corporation or the lessee corporation, as the case may be, shall expressly assume the due and punctual payment of the principal of and interest on all of the Bonds according to their tenor and purport, and the due and punctual performance of all of the terms, covenants and conditions of the Mortgage required to be kept, preserved and performed by the Company;

(d) In the event of any such consolidation, merger or conveyance, the successor corporation, if a subsidiary wholly owned by the Company at the date of the execution hereof, shall execute a supplemental indenture which shall contain a grant by such successor corporation confirming the lien of the Mortgage upon the mortgaged property and subjecting to the lien and operation

hereof, as fully as though such consolidation, merger or conveyance had not taken place and the same had been acquired or made by the Company, all property, rights and franchises theretofore or thereafter owned, constructed or acquired by such successor corporation; and

(e) In the event of any such consolidation, merger or conveyance, the successor corporation, if other than a subsidiary wholly owned by the Company at the date of the execution hereof, shall execute a supplemental indenture which, within the limitations of clause TWELFTH of the granting clauses, shall contain:

(i) A grant by such successor corporation confirming the lien of the Mortgage upon the mortgaged property and subjecting to the lien and operation hereof, as fully as though such consolidation, merger or conveyance had not taken place and the same had been acquired or made by the Company:

(1) all property, rights and franchises thereafter constructed or acquired which shall be appurtenant or incident to any property that is subject to the lien of the Mortgage at the time of such consolidation, merger or conveyance;

(2) all property, rights and franchises thereafter constructed or acquired in whole or in part by the issuance of Bonds, First Mortgage Bonds or Prior Lien Bonds;

(3) all property, rights and franchises thereafter constructed or acquired with cash then or at any time thereafter held by the Trustee or by the trustee under the First Mortgage or under any mortgage securing Prior Lien Bonds or in exchange for property released from the lien thereof, or the acquisition or construction of which has been or shall be made the basis for the withdrawal of cash or the issuance of Bonds or First Mortgage Bonds;

(4) all betterments, extensions, improvements and additions of, to, upon and for the property, rights and franchises subject to the lien of the Mortgage;

(5) all repairs, renewals, replacements, substitutions and alterations of, to, upon or for such property, rights and franchises;

(6) all property, rights and franchises thereafter acquired pursuant to any covenant herein contained which may be purchased, constructed or otherwise acquired by such successor corporation from and after the date of such consolidation, merger or conveyance, as the case may be;

(7) all property, rights and franchises theretofore owned or thereafter acquired by such successor corporation if such property consists of any line of railroad, or securities representing control of any line of railroad, which will displace any line of railroad subject to the Mortgage or adversely affect the use theretofore made of any line of railroad subject to the Mortgage or have the effect of diverting traffic from any line of railroad subject to the Mortgage; and

(8) all other property of every kind and description, whether real, personal or mixed, whether tangible or intangible, and whether consisting of present or future interests, thereafter constructed or acquired by such successor corporation which is appurtenant to or used in connection with any property acquired by the issuance of Bonds, First Mortgage Bonds or Prior Lien Bonds or acquired with cash then or at any time thereafter held by the Trustee or by the trustee under the First Mortgage or under any mortgage securing Prior Lien Bonds;

(ii) A covenant on the part of such successor corporation that all property and franchises thereafter acquired by it and necessary to the full and complete performance of any covenant herein contained relating to the deposit of securities, to the maintenance and upkeep of the mortgaged property, to the supply of adequate and efficient equipment to the lines of railroad included therein, to the making of all needful and proper repairs, renewals, replacements, substitutions and alterations and to the preservation and keeping in full effect of all rights, franchises and privileges subject to the lien hereof, or of any other covenant herein, shall be conclusively deemed and taken to be acquired by it in performance of such covenant and to have become subject to the lien of the Mortgage; and

(iii) A covenant by such successor corporation to keep the mortgaged property, so far as practicable, readily identifiable,

and a stipulation that the Trustee, by accepting or joining in such supplemental indenture, shall not be deemed impliedly to have waived any rights it would otherwise have had.

Compliance with the foregoing requirements of this Section 1 shall be evidenced by a supplemental indenture.

For the purposes of this Article XI, the term "conveyance" shall mean any sale, conveyance or transfer, the term "successor corporation" shall mean any corporation resulting from any such consolidation or merger or any corporation to which such conveyance shall be made, and the term "lessee corporation" shall mean any corporation to which any such lease shall be made.

The conditions contained in this Section 1 shall not be construed as requiring that in the event of any such consolidation, merger, conveyance or lease a separate income account shall thereafter be maintained in respect of the operation of the properties subject to the lien of the Mortgage, but in lieu thereof provisions may be made which shall be equitable and practical with respect to the apportionment of the revenues and expenses of any such successor or lessee corporation to establish a basis for the determination and application of Available Net Income as required under Article V or for the purpose of determining and applying funds to the payment of interest on any contingent interest bonds of the Company or for any other purpose fulfilling the provisions and conditions of the Mortgage; provided that any such provisions shall be approved by the Interstate Commerce Commission or other governmental body having jurisdiction of the consolidation, merger, conveyance or lease, and, unless such Commission or other governmental body shall find that no material alteration of the rights of the Bondholders is thereby effected and shall so determine, they shall also be consented to or approved by the holders of not less than two-thirds of the aggregate principal amount of the Outstanding Bonds, in the manner provided in Article XII.

SECTION 2. Nothing contained in the Mortgage or in any Bond shall prevent the Company from merging into itself or acquiring by



conveyance all or any part of the property of any other corporation; and all of the properties so acquired by the Company shall become subject to the lien of the Mortgage to the extent provided in the granting clauses of the Mortgage subject only to the First Mortgage and to such encumbrances and purchase money liens as shall exist or be created at the time of such merger or acquisition.

SECTION 3. In case the Company shall be consolidated with or merged into or shall make a conveyance to any other corporation as permitted and upon the terms provided in Section 1 of this Article XI, the successor corporation, upon executing and delivering to the Trustee, and causing to be recorded, the supplemental indenture provided for in Section 1 of this Article XI, shall succeed to and be substituted for the Company with the same force and effect as if it had been named in and had executed the Mortgage as the party of the first part hereto, and shall have and possess and may exercise, subject to the terms and conditions of the Mortgage, each and every power, authority and right herein reserved to or conferred upon the Company; and thereupon such successor corporation may cause to be signed and may issue, either in its own name or in the name of the party of the first part, and under the corporate seal of either the party of the first part or the successor corporation, any and all Bonds which shall not have been signed theretofore by the party of the first part and delivered to the Trustee; and the Trustee, upon the order of such successor corporation, and subject to all the terms, conditions and limitations prescribed in the Mortgage, shall authenticate any and all Bonds which previously shall have been signed by the party of the first part and delivered to the Trustee for authentication, and any Bonds which such successor corporation shall thereafter cause to be signed and delivered to the Trustee for such purposes, and deliver the same to such successor corporation or upon its order.

SECTION 4. All Bonds issued by any successor corporation shall have the same legal rank and security in all respects as the Bonds

theretofore issued by the Company in accordance with the terms of the Mortgage. In case of any such consolidation, merger or conveyance such changes in phraseology and form (but not in substance) may be made in the Bonds and coupons thereafter to be issued as may be appropriate to reflect any such consolidation, merger or conveyance.

SECTION 5. For every purpose of the Mortgage, any act or proceeding by any provision of the Mortgage authorized, required or permitted to be done or performed by any board or officer of the Company shall and may be done and performed, with like force and effect, by the like board or officer of any successor corporation, subject, however, to the provisions of Section 3 of this Article XI.

SECTION 6. The Company covenants and agrees that no consolidation or merger and no conveyance or lease of the mortgaged property as a whole or substantially as a whole, to which the Company or any successor corporation shall be a party, shall be made or effected unless the terms, covenants and conditions contained in this Article XI shall have been complied with and observed by the Company or the successor corporation, as the case may be.

## ARTICLE XII.

### Concerning the Bondholders.

SECTION 1. Whenever any action is taken by the Bondholders in the exercise of any or all of the following powers:

(a) To terminate, either before or after an Event of Default shall have occurred, the lien of the Mortgage as to any property or properties or part or parts thereof at any time subject thereto and cause the same to revert to the Company free and clear of such lien upon such conditions as such holders may direct pursuant to the provisions of Section 10 of Article X;

(b) To remove the Trustee and appoint a successor trustee pursuant to the provisions of Article XIV;

(c) To give any notice to the Company or to the Trustee, or to give any directions to the Trustee, or to consent to the waiving of any default hereunder and its consequences, or to take any other action authorized to be taken by Bondholders pursuant to any of the provisions of Article XV;

(d) To consent to an extension to any fixed or determinable date of the time or times of payment of the principal of, or the time or times of payment of any Fixed Interest or any unpaid accumulations of Contingent Interest on, all of the Bonds of any or all series which at the time shall be outstanding, subject, however, to the provisions of Section 3 of Article XVIII;

(e) To consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Section 2 of Article XVIII;

(f) To establish a basis for the determination and application of Available Net Income as permitted by Section 1 of Article XI in the event of any consolidation, merger, conveyance or lease referred to in said Section 1;

(g) To take any other action or give any other consent authorized to be taken or given by or on behalf of the holders of any specified percentage or portion of the aggregate principal amount of the Bonds under any other provision of the Mortgage or under applicable law or, if no percentage is specified, by the holders of not less than a majority in principal amount of all Outstanding Bonds;

the fact that at the time of taking any such action the holders of a specified percentage in aggregate principal amount of Bonds have joined therein may be evidenced (i) by an instrument or any number of instruments of similar tenor executed by such holders in person or by agent or proxy appointed in writing, or (ii) by the record of the holders of Bonds voting in favor thereof in person or by agent or proxy appointed in writing at any meeting of Bondholders duly called and held in accordance with the provisions of Article XIII hereof, or (iii) by a combination of such instrument or instruments and any such record of such a meeting of Bondholders.

SECTION 2. Proof of the execution of any instrument by the holder of any Bond or his agent or proxy, and proof of the holding by any person of any Bond, shall be sufficient if made in the following manner:

(a) The fact and date of the execution by any such person of any instrument may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds in the jurisdiction in which he purports to act that the person executing such instrument acknowledged to him the execution thereof, or by an affidavit of a witness to such execution sworn to before any such notary or other such officer;

(b) The fact of the holding by any person of coupon Bonds transferable by delivery, and the amounts and distinctive numbers of such Bonds and the date of his holding the same, may be proved by the production of the Bonds or by a certificate executed by any trust company, bank or banker satisfactory to the Trustee wherever situated, if such certificate shall be deemed by the Trustee to be satisfactory. Each such certificate shall be dated and shall state that on the date thereof a Bond bearing a specified serial number was deposited with or exhibited to such trust company, bank or banker by the person named in such certificate who claimed to be the owner of such Bond. Any such certificate may be issued in respect of one or more Bonds specified therein. The holding by the person named in any such certificate of any Bond specified therein shall be presumed to continue after the date thereof set forth in such certificate until and unless (i) there shall be produced another certificate issued in respect of the same Bond showing the holding thereof by another person at a later date, or (ii) the Bond specified in such certificate (or coupon Bond or Bonds in exchange for which such Bond shall have been surrendered) shall be produced by another person, or (iii) the Bond specified in such certificate shall then be registered as to principal in the name of another person or shall have been surrendered in exchange for a registered Bond without coupons issued in the name of another person; and

(c) The ownership of coupon Bonds registered as to principal or of registered Bonds without coupons shall be proved by the registers of such Bonds, or by a certificate of the registrar thereof.

The Trustee may require such additional proof of any matter referred to in this Section 2 as it shall deem necessary.

The record of any meeting of Bondholders shall be proved in the manner provided in Section 6 of Article XIII.

SECTION 3. The Company, the Trustee, any paying agent and any bond registrar may deem and treat the bearer of any coupon Bond which shall not at the time be registered as to principal, and the bearer of any coupon for interest (whether fixed or contingent) on any Bond whether such Bond shall be registered as to principal or not, as the absolute owner of such Bond or coupon, as the case may be (whether or not such Bond or coupon shall have become due and payable), for the purpose of receiving payment thereof and for all other purposes; and neither the Company nor the Trustee nor any paying agent nor any bond registrar shall be bound by any notice to the contrary.

The Company, the Trustee, any paying agent and any bond registrar may deem and treat the person in whose name any registered Bond without coupons shall be registered at any given time upon the books of the Company as the absolute owner of such Bond at that time (whether or not the same shall have become due and payable) for the purpose of receiving any payment then being made of or on account of the principal, premium if any, or interest on such Bond and for all other purposes; and may deem and treat the person in whose name any coupon Bond shall be registered as to principal at any given time as the absolute owner thereof at that time (whether or not the same shall have become due and payable) for the purpose of receiving payment of or on account of the principal of, or premium if any, on such Bond, and for all other purposes except to receive payment of any interest represented by outstanding coupons; and neither the Company nor the Trustee nor any paying agent nor any bond registrar shall be bound by any notice to the contrary. All such payments so made to any such registered holder for the time being, or upon his order, shall be valid, and, to the extent of the sum or sums

so paid, effectual to satisfy and discharge the liability for moneys payable upon any such Bond.

SECTION 4. In determining whether the holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, notice, consent or other action under the Mortgage, Bonds which are owned by the Company or any other obligor on the Bonds or by any person, firm or corporation directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any other such obligor, shall be disregarded and deemed not to be outstanding for the purpose of any such determination, provided that the Trustee shall be protected in relying on any such demand, request, notice, consent or other action except as to Bonds which the Trustee knows to be so owned. Bonds so owned which have been pledged in good faith may be regarded as outstanding for the purpose of such determination if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person, firm, or corporation directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken on the advice of counsel shall be full protection to the Trustee.

For the purpose of this Section 4, the terms "control," "controlling" and "controlled" shall mean the right to vote a majority of the outstanding shares of capital stock having the right to elect a majority of the board of directors.

SECTION 5. At any time prior to (but not after) the taking of any action by the holders of a specified percentage in aggregate principal amount of the Bonds specified in the Mortgage in connection with such action, any holder of a Bond the serial number of which is shown to be included in the Bonds the holders of which have consented to join in such action, by filing written notice with the Trustee at its principal office and upon proof of holding as provided in Section 2 of this Article

XII, may revoke such consent so far as concerns such Bond. Except as aforesaid any such action taken by the holder of any Bond shall be conclusive and binding upon such holder and upon all future holders of such Bond, irrespective of whether or not any notation of such consent is made upon such Bond, and in any event any action taken pursuant to the Mortgage by the holders of the percentage in aggregate principal amount of the Bonds specified in the Mortgage in connection with such action shall be conclusively binding upon the Company, the Trustee and the holders of all Bonds.

### **ARTICLE XIII.**

#### **Bondholders' Meetings.**

SECTION 1. The Trustee may at any time call a meeting of Bondholders to take any action specified in Section 1 of Article XII, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of Bondholders, setting forth the time and place of such meeting and the action proposed to be taken at such meeting, shall be published at least once each week, for not less than two successive weeks, in a Daily Newspaper in the City of Savannah, State of Georgia, and in a Daily Newspaper in the Borough of Manhattan, City and State of New York, the first publication in any such newspaper to be not less than 30 days nor more than 60 days prior to the date fixed for the meeting. A copy of such notice shall be mailed at least 30 days prior to the date fixed for the meeting to the registered holders of registered Bonds without coupons and of coupon Bonds registered as *to principal* at their last addresses as they shall appear upon the bond registry books, but neither failure to give such notice by mail nor any defect therein shall affect the validity of such meeting.

SECTION 2. In case at any time the Company pursuant to a resolution of its Board of Directors, or the holders of at least 10% in aggregate principal amount of the Outstanding Bonds, shall have requested the Trustee to call a meeting of Bondholders, by written request setting forth in reasonable detail the action proposed to be

taken at the meeting, and the Trustee shall not have made the first publication of the notice of such meeting within 20 days after receipt of such request, then the Company or the holders of Outstanding Bonds in the amount above specified may determine the time and place for such meeting and may call such meeting to take any action authorized in Section 1 of Article XII, by publishing and mailing notice thereof as provided in Section 1 of this Article XIII.

SECTION 3. To be entitled to vote at any meeting of Bondholders a person shall be (a) a holder of coupon Bonds transferable by delivery, or (b) a registered holder of Bonds (whether the same be fully registered or registered only as to principal), or (c) a person appointed by an instrument in writing as proxy for a holder of coupon Bonds transferable by delivery or for a registered holder of Bonds (whether the same be fully registered or registered only as to principal). The only persons who shall be entitled to speak at any meeting of Bondholders shall be the persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

SECTION 4. Notwithstanding any other provisions of the Mortgage, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Bondholders, in regard to proof of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem advisable. Except as otherwise permitted or required by any such regulations, the appointment of any proxy shall be proved in the manner specified in Section 2 of Article XII.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Bondholders as provided in Section 2 of this



Article XIII, in which case the Company or the Bondholders calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the holders of a majority in principal amount of Bonds the holders of which shall be present or represented and entitled to vote at the meeting.

Subject to the provisions of Section 4 of Article XII, at any meeting each Bondholder or proxy shall be entitled to one vote for each and every unit of the lowest principal amount of any of the Bonds then outstanding, in respect of which he is entitled to vote at the meeting; provided, however, that no vote shall be cast or counted at any meeting in respect of any Bond challenged as not outstanding and ruled by the chairman of the meeting to be not an Outstanding Bond. The chairman of the meeting shall have no right to vote other than by virtue of Outstanding Bonds held by him or instruments in writing as aforesaid duly designating him as the person to vote on behalf of other Bondholders.

SECTION 5. Any meeting of the Bondholders may be adjourned from time to time as and when, and to such time and place, as may be approved by a majority of the votes which the holders of Bonds at the time present or represented may be entitled to cast, irrespective of the aggregate principal amount of Bonds held by such holders; and the meeting may be held as so adjourned without further notice.

SECTION 6. The vote upon any proposal submitted at a meeting of Bondholders shall be by written ballots on which shall be subscribed the signatures of the holders of Bonds or their representatives by proxy and the serial number or numbers of the Bonds held or represented by them. The chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any proposal and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes

cast at the meeting. A record in duplicate of the proceedings of each meeting of Bondholders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes cast on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was published as provided in Section 1 of this Article XIII. The record shall show the serial numbers of the Bonds voted for or against any proposal submitted at the meeting. The record shall be signed and verified by the permanent chairman and secretary of the meeting and one of the duplicates shall be delivered to the Company and the other to the Trustee to be preserved by it. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

SECTION 7. Nothing in this Article XIII contained shall be deemed or construed to authorize or permit, by reason of any call of a meeting of Bondholders or any rights expressly or impliedly conferred hereunder to make such call, any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or to the Bondholders under any of the provisions of the Mortgage or of the Bonds.

#### ARTICLE XIV.

##### Concerning the Trustee.

SECTION 1. The Trustee accepts the trusts hereby created upon the terms and conditions in this Article XIV specified, to all of which the Company and the holders of the Bonds and coupons at any time outstanding, by their acceptance thereof, agree.

Whenever and so long as an Event of Default known to the Trustee has occurred and is continuing, the Trustee shall exercise such of the powers vested in it by the Mortgage, or take such other action with respect to such default, as in its judgment is necessary or desirable

for the protection of the interests of the holders of Bonds issued hereunder.

No provision of the Mortgage shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(a) Prior to the occurrence of an Event of Default and after the curing of all such Events of Default which may have occurred,

(1) the duties and obligations of the Trustee shall be determined solely by the express provisions of the Mortgage, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in the Mortgage, and no implied covenants or obligations shall be read into the Mortgage against the Trustee; and

(2) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates, statements, reports or opinions furnished to it; but in the case of any such certificates, statements, reports or opinions which by any provision hereof are specifically required to be furnished to it, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of the Mortgage.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer of the Trustee, if such officer shall have been selected and continued in office in the exercise of due care, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of not less than a majority in principal amount (or such other percentage of the principal amount specifically prescribed by the Mortgage for a particular action) of the Outstanding Bonds relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Mortgage.

(d) In the case of any action to be taken or suffered by the Trustee, wherein the Mortgage specifically authorizes such action notwithstanding the continuance of an Event of Default, the Trustee may rely on certificates and opinions furnished to it, but shall be under the same duty to examine the same to determine whether or not they conform to the requirements of the Mortgage as though an Event of Default had not occurred and been continuing.

The Trustee may rely and shall be protected in acting upon any Certified Resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, direction, bond coupon or other paper or document delivered to it pursuant to any provision of the Mortgage and believed by it to be genuine and to have been signed or presented by the proper party or parties.

Any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an instrument signed in the name of the Company by the President or a Vice President and the Secretary or an Assistant Secretary, unless other evidence in respect thereof be herein specifically prescribed.

The Trustee may consult with counsel and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel.

The Trustee shall be under no obligation to exercise any of the trusts or powers hereof at the request, order or direction of any of the Bondholders, pursuant to the provisions of the Mortgage, unless such Bondholders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

The Trustee shall not be personally liable in case of entry by it upon the mortgaged property for debts contracted or liability or damages incurred in the management or operation of said property.

The Trustee shall not be liable for any action taken by it in good faith and believed by it, in the exercise of due care, to be authorized or within the discretion or power conferred upon it by the Mortgage.

The Trustee shall be under no duty or responsibility with respect to any property or cash pledged and deposited with, or delivered or paid to, the trustee of the First Mortgage pursuant to any provision of the Mortgage; and during such period of time as the Mortgage shall contemplate that the trustee of the First Mortgage shall hold, apply or otherwise deal with any such cash or property, or exercise authority or discretion with respect thereto, pursuant to the First Mortgage, the Trustee shall have no responsibility for any act or thing done or omitted, or any authority or discretion exercised, with respect to any such property or cash by the trustee under the First Mortgage; and the Trustee shall be entitled to give full credit to, and rely on, a statement of the trustee of the First Mortgage certifying to any of the foregoing matters.

SECTION 2. None of the provisions contained in the Mortgage shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers; but the Trustee, in its sole discretion and in order to preserve the mortgaged property, may advance moneys for the purpose of paying taxes, rentals or otherwise, and for such advances, together with interest thereon at the rate of 4% per annum, the Trustee shall have a lien on the mortgaged property prior to any claim of the Bondholders, except as to funds held in trust for the benefit of the holders of particular Bonds or coupons.

SECTION 3. Should any taxes or other governmental charges be imposed upon the Trustee in its capacity as Trustee hereunder, which it may be required to pay under any present or future law of the United States of America or of any other authority therein having jurisdiction, the Trustee shall be reimbursed and indemnified therefor by the Company, and any liability incurred or amounts paid by the Trustee in respect of any such taxes or other governmental charges, until paid, shall constitute a lien upon the mortgaged property prior to any claim of the holders of Bonds, except as to funds held in trust for the benefit of the holders of particular Bonds or coupons.

SECTION 4. Except as herein otherwise provided, any notice or demand which by any provision of the Mortgage is required or permitted to be given or served by the Trustee or any other person on the Company, shall be deemed to have been sufficiently given and served for all purposes by being deposited, postage prepaid, in a United States Post Office letter box or mail chute, addressed (until another address is filed by the Company with the Trustee and thereafter if addressed to such new address) as follows: Central of Georgia Railway Company, Savannah, Georgia. Any notice, request or demand by any Bondholder to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes, if given or made at the principal office of the Trustee.

SECTION 5. The Trustee shall not be bound to recognize any person as the holder of a Bond outstanding hereunder unless and until the Bond is submitted to the Trustee for inspection if required, and the title thereto established to the satisfaction of the Trustee.

Except as provided in Section 7 of Article X, the Trustee shall be under no duty to invest any moneys paid to or deposited with it or to its credit pursuant to any of the provisions of the Mortgage, and shall not be liable for interest on any moneys during the period such moneys remain on deposit with it, except such interest as the Trustee may agree with the Company to pay.

Any action at any time taken by the Trustee pursuant to or with respect to the Mortgage at the request or with the consent or approval (express or implied) of any person who at the time is the holder of any Bond secured hereby, shall be conclusive and binding upon all future holders of such Bond.

All rights of action under the Mortgage may be enforced by the Trustee without the possession of any of the Bonds or the production thereof on the trial or other proceedings relative thereto.

SECTION 6. The recitals contained herein and in the Bonds (except as contained in the Trustee's certificate of authentication endorsed

on the Bonds) shall be taken as the statements of the Company, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the value of the mortgaged property, or as to the title of the Company thereto, or as to the validity or sufficiency of the Mortgage or of the Bonds or coupons. The Trustee shall not be accountable for the use or application by the Company of any of the Bonds or of the proceeds of such Bonds.

SECTION 7. The Trustee or any paying agent or bond registrar, in its individual or any other capacity, may become the owner or pledgee of Bonds or coupons with the same rights as if he or it were not such Trustee, paying agent or bond registrar.

SECTION 8. Subject to the provisions of Section 4 of Article XVII, all cash received by the Trustee hereunder, until used or applied as herein provided, and all cash received by the Trustee as paying agent in respect of the Bonds of any series, shall be held in trust for the purposes for which it was received, but need not be segregated from other funds except to the extent required by law. So long as no Event of Default shall have occurred and be continuing, any interest allowed on any such cash shall be paid from time to time to or upon the written order of the Company, signed by its President or any Vice President.

SECTION 9. The Company covenants and agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to receive, reasonable compensation (which shall not be limited by the statutes of any State relating to the compensation of a trustee of an express trust), and the Company will pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by it in accordance with any of the provisions of the Mortgage (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement and advance as may arise from negligence or bad faith of the Trustee. The Company

also covenants to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on the part of the Trustee, arising out of or in connection with the acceptance or administration of the trusts created by the Mortgage, including the costs and expenses of defending itself against any claim of liability in the premises. The obligations of the Company under this Section 9 to compensate and indemnify the Trustee and to pay or reimburse it for expenses, disbursements and advances shall constitute additional indebtedness hereunder and shall be secured by the lien hereof prior to the claims of the holders of Bonds upon the mortgaged property, except as to funds held in trust for the benefit of the holders of particular Bonds or coupons.

SECTION 10. Whenever in the administration of the trusts created by the Mortgage the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Trustee, and such Certificate shall be full warrant to the Trustee for any action taken, suffered or omitted by it under the provisions of the Mortgage upon the faith thereof.

SECTION 11. Any company into which the Trustee or any successor to it in the trusts created by the Mortgage may be merged, or with which it or any such successor may be consolidated, or any company resulting from any merger, conversion, or consolidation to which the Trustee or any such successor shall be a party, provided such company shall be a trust company or a banking corporation in good standing organized under the laws of the United States or of any State, and shall have an office in the City of Savannah, State of Georgia, or in the Borough of Manhattan, City and State of New York, and shall have a capital and surplus aggregating at least \$1,000,000, shall be



the successor trustee under the Mortgage without the execution or filing of any paper or the performance of any further act on the part of the parties hereto. In case any of the Bonds shall have been authenticated but not delivered, any such successor trustee may adopt the certificate of authentication of The Citizens and Southern National Bank, or of any successor to it, as Trustee hereunder, and deliver the same so authenticated; and in case any of the Bonds shall not have been authenticated, any such successor trustee may authenticate such Bonds either in the name of any predecessor trustee or in its own name as such successor trustee, and in all such cases such certificate shall have the same full force which it is anywhere in the Bonds or the Mortgage provided that the certificate of the Trustee shall have; provided, however, that the right to authenticate Bonds in the name of The Citizens and Southern National Bank shall extend only to its successor by merger, conversion or consolidation.

SECTION 12. The Trustee or any successor trustee may at any time resign and be discharged from the trusts hereby created by giving to the Company written notice of such resignation and specifying a date upon which such resignation shall take effect. Notice of such resignation shall be published once each week for two successive weeks in a Daily Newspaper in the City of Savannah, State of Georgia, and in a Daily Newspaper in the Borough of Manhattan, City and State of New York, the first publication in each such newspaper to be not less than 60 days and not more than 90 days before the date specified in said notice for the resignation to take effect. Such resignation shall take effect on the date specified in said notice or on the date of the appointment of a successor trustee as hereinafter provided, whichever shall be earlier.

The Trustee or any successor trustee may be removed with or without cause at any time by the holders of a majority in principal amount of the Outstanding Bonds by the delivery to such Trustee or successor trustee, as the case may be, of an instrument or concurrent instruments signed by such holders or their attorneys-in-fact duly

authorized. Any trustee who shall resign or be so removed shall be entitled to its reasonable compensation then accrued and unpaid and to reimbursement for proper expenses theretofore incurred and not previously reimbursed.

SECTION 13. In case at any time the Trustee or any successor trustee shall resign or shall be removed or shall become incapable of acting or shall be adjudged bankrupt or insolvent, or if a receiver of the Trustee or any successor, or of its property, shall be appointed, or if any public officer in the exercise of his official powers shall take charge or control of the Trustee or any successor, or its property or affairs, or if a vacancy shall arise in the trusteeship under the Mortgage from any cause, a successor trustee may be appointed by the holders of a majority in principal amount of the Outstanding Bonds, by an instrument or concurrent instruments in writing signed by such holders or their attorneys-in-fact duly authorized and delivered to such new trustee hereunder, notification being given to the Company and the predecessor trustee; provided, however, that until a new trustee shall be appointed by the holders of Outstanding Bonds as aforesaid and shall accept such appointment, the Company, by an instrument duly executed and acknowledged by its proper officers, by authority of its Board of Directors, shall appoint a trustee to fill the vacancy until the appointment of a new trustee by such holders as herein authorized. The Company shall publish notice of any such appointment made by it or by the holders of Outstanding Bonds as aforesaid once each week for two successive weeks in a Daily Newspaper in the City of Savannah, State of Georgia, and in a Daily Newspaper in the Borough of Manhattan, City and State of New York, the first publication in each such Daily Newspaper to be within 10 days after such appointment has been made. Any new trustee appointed by the Company shall, immediately and without further act, be superseded by a trustee appointed by the holders of Outstanding Bonds in the manner above provided if the appointment by such holders be made within one year after the first

publication of the notice of the appointment of the new trustee by the Company.

Every Trustee appointed under any of the provisions of this Section 13 shall be a trust company or a banking corporation in good standing organized under the laws of the United States of America or of any State, having an office in the City of Savannah, State of Georgia, or in the Borough of Manhattan, City and State of New York, and having a capital and surplus aggregating at least \$1,000,000.

If in a proper case no appointment of a successor trustee shall be made by the holders of Outstanding Bonds pursuant to the foregoing provisions of this Section 13 within six months after the happening of any of the events set forth in the first paragraph of this Section 13, the holder of any Bond outstanding hereunder or any retiring trustee hereunder may apply to any court of competent jurisdiction to appoint a successor trustee. Said court may thereupon, after such notice, if any, as said court may deem proper and prescribe, appoint a successor trustee. Any trustee appointed by the Company shall, immediately and without further act, be superseded by a trustee appointed by any such court in the manner above provided, if such appointment by such court be made within 18 months after the first publication of the notice of the appointment of the new trustee by the Company. If application shall be made to any such court within such 18 months period in this paragraph provided, the holders of Outstanding Bonds shall have no power to appoint a trustee as in this Section 13 provided unless such application shall be dismissed within one year after the first publication of the notice of the appointment of a new trustee by the Company.

Any successor trustee appointed hereunder shall execute, acknowledge and deliver to the predecessor trustee hereunder and to the Company an instrument in writing accepting such appointment hereunder, and thereupon said successor trustee, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor in trust hereunder, with like effect as if originally named as trustee

herein; but the retiring trustee, nevertheless, on the written request of the Company or of the successor trustee, and upon payment of its unpaid compensation and expenses, if any, shall execute, acknowledge and deliver such instruments of conveyance and further assurances and do such other things as reasonably may be required for more fully and certainly vesting and confirming in said successor trustee all the right, title and interest of the retiring trustee in and to the mortgaged property and said rights, powers, trusts, duties and obligations; and the retiring trustee shall also, upon like request and upon payment of its unpaid compensation and expenses as aforesaid, pay over, assign and deliver to the successor trustee any money and other property subject to the lien of the Mortgage then held by it, and deliver any and all records, or copies thereof, in respect of the trusts hereunder which it may have, and upon request of any such successor trustee the Company shall execute, acknowledge and deliver any and all deeds, conveyances or other instruments in writing for more fully and certainly vesting in and confirming to such successor trustee said estates, properties, rights, powers, duties and obligations, provided, however, that such successor trustee shall not authenticate Bonds in the name of such predecessor trustee.

SECTION 14. If at any time or times it shall be necessary or prudent in order to conform to any legal requirement, or the Trustee shall be advised by counsel satisfactory to it that it is so necessary or prudent in the interest of the Bondholders, or if the holders of a majority in principal amount of the Bonds shall in writing so request the Trustee or the Company, the Trustee and the Company shall execute and deliver all instruments and agreements necessary or proper to appoint another bank or trust company approved by the Trustee and the Company, either to act hereunder as co-trustee with respect to all or any of the property subject to the lien of the Mortgage, jointly with the Trustee, or to act hereunder as separate trustee with respect to any such property, with such power and authority and for such term as

may be necessary or prudent for such purpose and as shall be specified in the instrument of appointment. In the event the Company shall not have joined in the execution of such instruments and agreements within 30 days after the receipt of a written request from the Trustee so to do, or in case an Event of Default shall have occurred and be continuing, the Trustee may act under the foregoing provision of this Section 14 without the concurrence of the Company; and the Company hereby fully empowers the Trustee so to act and appoints the Trustee its agent and attorney to act for it under the foregoing provision of this Section 14 in either of such contingencies.

SECTION 15. The Trustee is hereby appointed (and the successive holders of the Bonds, by taking and holding the same, shall conclusively be deemed to have so appointed the Trustee) the true and lawful attorney-in-fact of the respective holders of the Bonds, with authority to make or file, irrespective of whether the Bonds or any of them are in default as to payment of principal or interest, in the respective names of the holders of the Bonds and coupons or in behalf of all holders of the Bonds and coupons as a class, any proof of debt, amendment to any proof of debt, petition or other document, and to execute any and all other papers and documents and do and perform any and all other acts and things for and in behalf of the respective holders of the Bonds and coupons, or in behalf of all holders of the Bonds and coupons as a class, as may be necessary or advisable in the opinion of the Trustee in order to have the claims of the holders of the Bonds and coupons against the Company, or any successor, or any other person or corporation allowed and paid in any equity receivership, insolvency liquidation, bankruptcy, reorganization or other proceedings which shall involve the Company or the mortgaged property or any part thereof, and to receive payment of or on account of any such claim or claims; and any receiver, assignee or trustee in any such proceedings is hereby authorized by each of the Bondholders to make such payments to the Trustee. The appointment made and authority granted by this Sec-

tion 15 may be revoked by any holder of Bonds or coupons with respect to Bonds or coupons held by him at any time after institution of any such proceeding, by delivering notice of such revocation to the Trustee and filing a copy thereof in such proceeding. Nothing herein contained shall give the Trustee authority to assent to or reject on behalf of any holder of Bonds and coupons any plan of reorganization, plan of adjustment, or similar plan, proposed or approved in any such proceeding.

## **ARTICLE XV.**

### **Remedies of Trustee and Bondholders.**

SECTION 1. Except as provided in Section 3 of Article XVIII, the Company will not, directly or indirectly, extend or assent to the extension of the time for the payment of any coupon or claim for interest on any of the Bonds, and it will not, directly or indirectly, be a party to or approve any such arrangement by purchasing or refunding said coupons or claims for interest or in any other manner; and if the time for payment of any such coupon or claim for interest shall be so extended with the consent of the Company, such coupon or claim for interest shall not be entitled, in case of default hereunder, to the benefit of the security of the Mortgage, except subject to the prior payment in full of the principal of all Outstanding Bonds and all coupons and claims for interest thereon the payment of which shall not have been so extended; provided, that the foregoing provisions of this Section 1. shall not be applicable to any coupon or claim for interest the time for the payment of which shall have been extended, if such extension was made pursuant to a plan proposed by the Company to all holders of any one or more series of Bonds. If, at or after the maturity of Bonds, any coupons or claims for interest in respect of such Bonds shall be owned by the Company, or shall be purchased by it or on its behalf, then such matured coupons or claims for interest shall not be entitled to the benefit or security of the Mortgage, and the Company covenants that

all such matured coupons and claims for interest shall be cancelled promptly upon such maturity if then owned by the Company or upon their purchase if purchased by or on behalf of the Company at or after such maturity.

SECTION 2. If one or more of the following events, herein called Events of Default, shall occur, that is to say:

(a) Default shall be made in the payment of any installment of Contingent Interest on any of the Outstanding Bonds when and as such interest shall become due and payable as therein and in the Mortgage expressed, and such default shall continue for 30 days; or

(b) Default shall be made in the payment of the principal of any of the Outstanding Bonds, or the premium thereon payable on redemption thereof, when the same shall become due and payable either by the terms thereof or otherwise as herein provided; or

(c) Default shall be made in the payment of any installment of any sinking fund or of the Debt Retirement Fund with respect to any Outstanding Bonds when and as the same shall become due and payable as therein and in the Mortgage expressed, and such default shall continue for 90 days; or

(d) Default shall be made in the observance or performance of any other of the covenants, conditions or agreements on the part of the Company, its successors or assigns, contained in the Bonds or in the Mortgage, and such default shall continue for 60 days (or in case of any default under a supplemental indenture for such other time, if any, as may be specified therein) after written notice specifying such other default and requiring the same to be remedied shall have been given to the Company by the Trustee, which notice may be given by the Trustee in its discretion, and shall be given on the written request of the holders of 25% in principal amount of the then Outstanding Bonds; or

(e) A decree or order by a court having jurisdiction in the premises shall have been entered adjudging the Company a bank-

rupt or insolvent, or approving as properly filed a petition seeking reorganization of the Company under the Bankruptcy Act or any other state or federal law, and such decree or order shall have continued undischarged or unstayed for 60 days; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver or liquidator or trustee in bankruptcy or insolvency of the Company or of its property, or any substantial portion of its property, or for the winding up or liquidation of its affairs, shall have been entered, and such decree or order shall have remained in force undischarged and unstayed for 60 days; or

(f) The Company shall institute proceedings to be adjudged a voluntary bankrupt, or shall consent to the filing of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization or readjustment under the Bankruptcy Act or any other state or federal law, or otherwise invoke any law for the aid of debtors, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or liquidator or trustee in bankruptcy or insolvency of it or of its property or any substantial portion of its property, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or corporate action shall be taken by the Company in furtherance of any of the aforesaid purposes; or

(g) An Event of Default as defined in the First Mortgage shall occur and be continuing;

then, and in each and every such case, the Trustee personally or by its agents or attorneys, to the extent permitted by law, may, but shall not be obligated to, enter into and upon all or any part of the mortgaged property, and each and every part thereof, and may exclude the Company, its agents and servants wholly therefrom; and having and holding the same may use, operate, manage and control the mortgaged property or any part thereof, and conduct the business of the Company, either personally or by the Company's superintendents, managers, agents, servants, attorneys, receivers or trustees, in such manner as the



Trustee may deem to be to the best advantage of the Bondholders. Upon every such entry the Trustee, at the expense of the mortgaged property, from time to time, either by purchase, repair or construction, may maintain and restore the rolling stock, tools and machinery and other property, buildings, bridges and structures erected upon or provided for use in connection with the railways and other premises whereof it shall become possessed as aforesaid, and may insure or keep insured such of the same as are usually insured by railway companies and in the same manner and to the same extent; and likewise from time to time, at the expense of the mortgaged property, may make all necessary or proper repairs, renewals and replacements and useful alterations, additions, betterments and improvements to and on the mortgaged property, and purchase or otherwise secure the use of additional rolling stock, tools, machinery and other property for use thereon, as to it may seem judicious. The Trustee shall further have the right to manage the mortgaged property and to carry on the business and exercise all rights and powers of the Company with respect thereto, either in the name of the Company or otherwise, as the Trustee shall deem best; and shall be entitled to collect and receive all rates, fares, tolls, earnings, incomes, rents, issues, revenues and profits of the same and every part thereof, including the income from stock, bonds or other obligations subject to the Mortgage. After deducting the expenses of operating said railways and other premises, and of conducting the business thereof, and of all repairs, maintenance, renewals, replacements, alterations, additions, betterments and improvements, and all payments which may be made for taxes, assessments, insurance and prior or other proper charges upon the mortgaged property, or any part thereof, as well as just and reasonable compensation for its own services and for the services of all attorneys, counsel, agents, clerks, servants and other employees by it properly engaged and employed, the Trustee shall apply the balance of the moneys derived from the operation and management of the mortgaged property and business as follows:

(i) If the principal of none of the Outstanding Bonds shall have become due and be unpaid, to the payment of the interest on the Outstanding Bonds, in the order of the maturity of the installments of such interest, such payments to be made proportionately to the persons entitled thereto without discrimination or preference; and

(ii) If the principal of all or any part of the Bonds shall have become due, by declaration or otherwise, and shall be unpaid, *first* to the payment of interest accrued on the Outstanding Bonds prior to the date upon which the principal of said Bonds became due and payable, in the order of the maturity of the installments of such interest, and *second* to the payment of interest on the overdue principal of said Bonds at the highest rate of interest borne by any of the Outstanding Bonds, and *third* (subject to the provisions of Section 4 of this Article XV) to the payment of the principal of all of said Bonds, whether due or not; in every instance such payments to be made proportionately to the persons entitled thereto without discrimination or preference.

These provisions, however, are not intended to and shall not be deemed in any wise to modify the provisions of Section 1 of this Article XV but are subject thereto.

SECTION 3. If the Trustee, under the powers in the Mortgage granted, or a receiver or any trustee appointed under the provisions of the Bankruptcy Act, or any other state or federal law, shall have entered into possession of the mortgaged property, or a part thereof, or one or more Events of Default shall have occurred and be continuing, the Trustee (to the extent permitted by law) shall be entitled to exercise, while such default shall continue, all right and power to vote and consent with respect to all shares of stock, bonds and other obligations subject to the lien of the Mortgage, and, for the benefit of the Bondholders, shall be entitled to collect and receive all dividends on all shares of stock and all sums payable for principal, interest or other-

wise upon any bonds or other obligations that shall then be subject to the Mortgage and shall apply, as hereinbefore in Section 2 of this Article XV provided, any moneys so received; and, as the holder of any such shares of stock, bonds or other obligations, shall be entitled to perform any and all acts, or to make and execute any and all transfers, requests, requisitions or other instruments, for the purpose of carrying out the provisions of this Section 3.

SECTION 4. In case one or more Events of Default shall have occurred and be continuing, then, in each and every such case, unless the principal of all the Outstanding Bonds already shall have become due and payable, the Trustee may, and upon the written request of the holders of 25% in principal amount of the Outstanding Bonds shall, by notice in writing mailed to the Company, declare the principal of all Bonds to be forthwith due and payable, and upon any such declaration the same shall become and be forthwith due and payable, together with all accumulations of unpaid interest, if any, notwithstanding the date of maturity thereof, as stated in such Bonds or in the coupons, if any, pertaining thereto, or in the Mortgage. This provision, however, is subject to the condition that, if at any time after the principal of the Bonds shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided or any sale of the mortgaged property or any part thereof shall have been made, all unpaid interest upon all Outstanding Bonds, and the principal (and premium, if any) of any Outstanding Bonds which shall have become due otherwise than by acceleration under this Section 4, and the reasonable charges and expenses of the Trustee, its agents and attorneys, shall either be paid by the Company or be collected out of the income of the mortgaged property, or be provided for by the deposit with the Trustee of a sum sufficient to pay the same, and all other defaults made good to the satisfaction of the Trustee; then and in every such case the holders of two-thirds in principal amount of the Outstanding

Bonds, by written notice to the Company and to the Trustee, may waive such default or defaults and its or their consequences and annul such declaration of the maturity of the Bonds, but no such waiver or annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

In case the Trustee shall have proceeded to enforce any right under the Mortgage, by foreclosure, entry or otherwise, and such proceedings shall have been discontinued or abandoned because of such waiver or annulment, or for any other reason, or shall have been determined adversely to the Trustee, then and in every such case the Company and the Trustee shall be restored to their former position and rights hereunder in respect of the mortgaged property, and all rights, remedies and powers of the Company and of the Trustee shall continue thereafter as though no such proceedings had been taken.

SECTION 5. In case one or more Events of Default shall have occurred and be continuing, the Trustee, with or without entry, personally or by attorney, in its discretion:

(a) If and to the extent permitted by law, may but shall not be obligated to sell, subject to any prior liens thereon, to the highest bidder, all and singular the mortgaged property, and all right, title and interest, claim and demand therein, free from any right of redemption thereof, in one parcel and as an entirety, except as in Section 6 of this Article XV provided; which sale or sales shall be made at public auction at such place in the City of Savannah, State of Georgia, or at such other place or places, and at such time and upon such terms, as the Trustees may fix and briefly specify in the notice of sale to be given as hereinafter in Section 7 of this Article XV provided; or

(b) May proceed to protect and to enforce their rights and the rights of holders of the Outstanding Bonds by a suit or suits in equity or at law, whether for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the foreclosure of the

Mortgage, or for the enforcement of any other appropriate legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of its rights or duties and the rights of holders of the Outstanding Bonds.

Upon the written request of the holders of not less than 25% in principal amount of the then Outstanding Bonds, in case any Event of Default shall have occurred and be continuing as aforesaid, it shall be the duty of the Trustee, upon being indemnified as hereinafter provided, to exercise such one or more of the remedies available for the protection and enforcement of its rights and the rights of the Bondholders (including the exercise of the powers of entry or sale herein conferred, or the taking of appropriate judicial proceedings by action, suit or otherwise) as the Trustee, being advised by counsel, shall deem most expedient in the interest of the Bondholders.

SECTION 6. In the event of any sale, whether made under the power of sale herein granted or conferred, or under or by virtue of judicial proceedings, or of some judgment or decree of foreclosure and sale, the whole of the mortgaged property shall be sold in one parcel and as an entirety, unless such sale as an entirety is impracticable in the opinion of the Trustee by reason of some statute or other circumstance, or unless the holders of a majority in principal amount of the Outstanding Bonds shall in writing request the Trustee to cause said premises to be sold in parcels, in which case the sale shall be made in such parcels and in such order as may be specified in such request.

The Company, for itself and all persons and corporations hereafter claiming through or under it, or who may at any time hereafter become holders of liens junior to the lien of the Mortgage, hereby expressly waives and releases all right to have the mortgaged property marshalled upon any foreclosure or other enforcement hereof, and the Trustee or any court in which the foreclosure of the Mortgage or the administration of the trusts hereby created is sought shall have the right as afore-

said to sell the entire property of every description comprised in the mortgaged property, as a whole in a single lot or parcel.

SECTION 7. Notice of any sale pursuant to any provision of the Mortgage shall state the time and place of said sale, and shall contain a brief general description of the property to be sold, and shall be sufficiently given if published once in each week for four successive weeks prior to such sale in a Daily Newspaper in the City of Savannah, State of Georgia, and in a Daily Newspaper in the Borough of Manhattan, City and State of New York, and in such other manner as may be required by law.

SECTION 8. The Trustee may adjourn from time to time any sale to be made by it under the provisions of the Mortgage, by announcement at the time and place appointed for such sale, or for such adjourned sale or sales, and without further notice or publication (unless otherwise required by law) such sale may be made at any time or place to which the same shall be so adjourned.

SECTION 9. Upon the completion of any sale or sales under the Mortgage, the Trustee or the court officer conducting the sale shall execute and deliver to the accepted purchaser or purchasers a good and sufficient bill or bills of sale and deed or deeds of conveyance of the property and franchises sold. The Trustee and its successors are hereby irrevocably appointed the true and lawful attorneys of the Company, in its name and stead to make all necessary deeds, bills of sale and conveyances of the property and franchises and all necessary transfers of shares of stock or bonds or other obligations thus sold; and may substitute one or more persons with like power, the Company hereby ratifying and confirming all that its said attorney or attorneys, or such substitute or substitutes, shall lawfully do by virtue hereof. Nevertheless, the Company, if so requested by the Trustee, shall ratify such sale by executing and delivering such deeds of conveyance, bills

of sale or other instruments of assignment and transfer, as in the judgment of the Trustee may be advisable.

Any such sale or sales made under or by virtue of the Mortgage, whether under the power of sale hereby granted and conferred, or under or by virtue of any judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Company, of, in and to the premises and property sold, and shall be a perpetual bar, both at law and in equity, against the Company, its successors and assigns, and against any and all persons claiming the premises and property sold, or any part thereof, from, through or under the Company, its successors or assigns.

The personal property and chattels conveyed, or intended to be conveyed, by or pursuant to the Mortgage, other than stocks and bonds and other obligations or securities or claims, shall be real property for all the purposes of the Mortgage, and shall be held and taken to be fixtures and appurtenances of the Company's lines of railroad and a part thereof, and are to be used and sold therewith and not separate therefrom, except as herein otherwise provided.

The receipt of the Trustee for the purchase money paid at any such sale, or the receipt of any other person authorized to receive the same, shall be a sufficient discharge therefor to any purchaser of the property, or any part thereof, sold as aforesaid, and no such purchaser, or his representatives, grantees or assigns, after paying such purchase money and receiving such receipt, shall be bound to see to the application of such purchase money or any part thereof upon or for any trust or purpose of the Mortgage, or, in any manner whatsoever, be answerable for any loss, misapplication or nonapplication of any such purchase money, or any part thereof, or be bound to inquire as to the authorization, necessity, expediency or regularity of any such sale.

SECTION 10. In case of a sale of the mortgaged property substantially as a whole under any of the foregoing provisions of this Article XV, whether made under the power of sale hereby granted

or pursuant to judicial proceedings, the principal of all Bonds then outstanding, if not previously due, immediately thereupon shall become due and payable, notwithstanding the date of maturity thereof as stated in such Bonds or in the Mortgage.

SECTION 11. The purchase money, proceeds and avails of any such sale, whether made under the power of sale hereby granted or pursuant to judicial proceedings, together with any other sums which then may be held by or for the Trustee under any of the provisions of the Mortgage as part of the mortgaged property or of the proceeds thereof except sums held in trust for the benefit of the holders of particular Bonds or coupons, shall be applied as follows:

*First.* To the payment of the costs and expenses of such sale, the reasonable compensation to the Trustee, its agents, attorneys and counsel, all expenses, liabilities and advances made or incurred by the Trustee, except such as may have arisen by its negligence or bad faith, and the payment of all taxes, assessments or liens prior to the lien of the Mortgage, except taxes, assessments and prior liens, if any, subject to which the property shall have been sold.

*Second.* To the payment of the whole amount then due and unpaid upon the Outstanding Bonds for principal and interest, with interest on the overdue principal at the highest rate of interest borne by any of the Outstanding Bonds, and in case such moneys shall be insufficient to pay in full the whole amount so due and unpaid upon the Outstanding Bonds, then to the payment of such principal and interest proportionately, according to the aggregate of such principal and accrued and unpaid interest, without preference or priority of any Outstanding Bond over any other Outstanding Bond of the same or of another series or of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, subject, however, to the provisions of Section 1 of this Article XV.



*Third.* To the payment of the surplus, if any, to the Company, its successors or assigns, or to whosoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

SECTION 12. In case of any sale under the foregoing provisions of this Article XV, whether made under the power of sale hereby granted or pursuant to judicial proceedings, any purchaser, for the purpose of making settlement or payment for the property purchased, shall be entitled to use and apply any Bonds and any matured and unpaid coupons and interest obligations hereby secured, subject to the provisions of Section 1 of this Article XV, by presenting such Bonds and coupons in order that there may be credited as paid thereon the sums payable out of the net proceeds of such sale to the holder or registered owner of such Bonds and coupons, as his proportionate share of such net proceeds; and such purchaser shall be credited on account of the purchase price payable by him with the sums payable out of such net proceeds which shall be applicable to the payment of and which shall have been credited upon the Bonds and coupons so presented; and, at any such sale, any Bondholder may bid for and purchase such property, and may make payment therefor as aforesaid, and, upon compliance with the terms of said sale, may hold, retain and dispose of such property without further accountability therefor.

SECTION 13. The Company covenants that (a) if default shall be made in the payment of any installments of Fixed Interest on any of the Outstanding Bonds when and as such interest shall become due and payable as therein and in the Mortgage expressed, and such default shall continue for 90 days, or in the payment of any installment of Contingent Interest on any of the Outstanding Bonds when and as such interest shall become due and payable as therein and in the Mortgage expressed, or (b) if default shall be made in the payment of the principal of any Outstanding Bonds, or the premium thereon

payable on redemption thereof, when the same shall become due and payable, whether at the maturity of such Bonds, upon redemption, by declaration or by a sale of the mortgaged property, or otherwise, then, upon demand of the Trustee, the Company will pay to the Trustee for the benefit of the holders of such Bonds and coupons the whole amount then due and payable on such Bonds and coupons, for principal (and premium if any) or interest, or both, as the case may be, with interest on the overdue principal at the highest rate of interest borne by any of the Outstanding Bonds; and in case the Company shall fail to pay the same forthwith upon such demand, the Trustee in its own name and as Trustee of an express trust, shall be entitled to recover judgment for the whole amount so due and unpaid.

The Trustee shall be entitled to institute and prosecute any action and enforce any judgment or final decree as aforesaid, either before or after or during the pendency of any proceedings for the enforcement of the lien of the Mortgage, and the right of the Trustee to such judgment or final decree shall not be affected by any entry or sale hereunder, or by the exercise of any other right, power or remedy for the enforcement of the provisions of the Mortgage or the foreclosure of the lien hereof; and in case of a sale of the mortgaged property or any part thereof, the Trustee, in its own name and as trustee of an express trust, shall be entitled to enforce payment of, and to receive, all amounts then remaining due and unpaid upon any and all of the Bonds and coupons, for the benefit of the holders thereof, and shall be entitled to institute and prosecute any action and enforce any judgment or final decree as aforesaid for any portion of the said debt remaining unpaid, with interest. No judgment or decree obtained by the Trustee, and no levy of any execution upon the mortgaged property, or upon any other property, shall in any manner, or to any extent, affect the lien of the Mortgage upon the mortgaged property, or any part thereof, or any lien, rights, powers or remedies of the Trustee hereunder, or any lien, rights, powers or remedies of the Bondholders, but such lien,

rights, powers and remedies shall continue unimpaired as before, except as otherwise provided by law.

Any moneys collected by the Trustee under this Section 13 shall be applied by the Trustee,

*First*, to the payment of the costs and expenses of the proceedings resulting in the collection of such moneys, and of the compensation of and the expenses, liabilities and advances made or incurred by the Trustee hereunder, except such as may have arisen by its negligence or bad faith; and

*Second*, to the payment of the amounts then due and unpaid upon the Outstanding Bonds and coupons in respect of which such moneys shall have been collected, without any preference or priority of any kind, but subject to the provisions of Section 1 of this Article XV proportionately according to the amounts due and payable upon such Outstanding Bonds and coupons, respectively, at the date fixed by the Trustee for distribution of such moneys, upon presentation of the several Outstanding Bonds and coupons and their surrender if fully paid, or for proper stamping if only partially paid.

SECTION 14. The Company will not at any time insist upon or plead, or claim to take advantage of any statute or rule of law, now or hereafter in force, wherever enacted or established, in aid of debtors or permitting or providing for (a) the staying of actions in respect of mortgages or mortgage indebtedness, or for extending the time for payment of such indebtedness, (b) the valuation or appraisalment of the property held under any mortgage or pledge to secure indebtedness prior to any sale or sales thereof pursuant to the terms of such mortgage or pledge or to the decree, judgment or order of any court, or (c) the redemption of any property so sold; and the Company hereby expressly waives all benefit and advantage of any such statute or rule of law, and covenants that it will not hinder, delay or impede the execution of any power herein granted or delegated to the Trustee, but that it will suffer and permit the execution of every such power as though no such statute or rule of law had been enacted or established.

SECTION 15. In case (1) an Event of Default shall occur and at any time during the continuance of such Event of Default there shall be any unsatisfied final judgment against the Company or, in any judicial proceeding by any party other than the Trustee, a receiver shall be appointed of the Company or of its property or any part thereof, or a judgment or order be entered for the sequestration of its property or any part thereof, or (2) the Company shall make default in the payment of interest specified in clauses (a) or (b) of Section 2 of this Article XV, and shall by resolution of its Board of Directors admit to the Trustee its inability to make good such default, then the Trustee, in either such case, shall thereupon be entitled, in the discretion of the Trustee, forthwith to exercise the right of entry herein conferred and also any and all other rights and powers herein conferred and provided to be exercised by the Trustee upon the occurrence and continuance of an Event of Default as hereinbefore provided; and the Trustee shall thereupon be entitled as a matter of right (i) to the appointment of a receiver of the mortgaged property and of the earnings, rents, issues, profits, tolls, revenues and income thereof, with such powers as the court making such appointment shall confer, and (ii) to the entry of an order directing that the rents, issues, profits, tolls, revenues and other income of the premises and property comprised in the mortgaged property be segregated, sequestered and impounded for the benefit of the Trustee and the Bondholders from and after the date of the institution of any judicial proceedings of the nature referred to in this Section 15 or in clauses (e) and (f) of Section 2 of this Article XV. Notwithstanding the appointment of any such receiver, the Trustee, as pledgee, shall be entitled to retain possession and control of, and to collect all interest and dividends or earnings on, any shares of stock, cash, bonds and other obligations pledged with it as security hereunder.

The Company hereby irrevocably consents to the appointment of such receiver and to the entry of such order.

SECTION 16. Upon application of the Trustee to any court of competent jurisdiction, and with the consent of the Company if none of the Events of Default shall have occurred and be continuing, and without such consent if one or more of the Events of Default shall have occurred and be continuing, a receiver may be appointed to take possession of, and to operate, maintain and manage the mortgaged property or any part thereof, and any other property of the Company used for, in or about, or the use or possession whereof shall be essential to, the operation of the mortgaged railroads or any thereof, and the Company shall transfer and deliver to such receiver all such property, wheresoever the same may be situated; and in every case when a receiver of the whole or of any part of said property shall be appointed under this Section 16, or otherwise, the net income and profits of the mortgaged property shall be paid over to, and shall be received by, the Trustee for the benefit of the holders of the Outstanding Bonds and coupons to be applied as provided in Section 2 of this Article XV; provided, however, that, notwithstanding the appointment of any such receiver, the Trustee shall be entitled to retain control of, and to collect all interest and dividends or earnings on, any shares of stock, cash, bonds and other obligations pledged with it as security hereunder.

SECTION 17. No holder of any Bond or coupon shall have any right to institute any suit, action or proceeding in equity or at law for the foreclosure of the Mortgage, or for the execution of any trust hereunder, including the appointment of a receiver, or for any other remedy hereunder, unless (a) such holder previously shall have delivered to the Trustee written notice that one or more Events of Default, which default or defaults shall be specified in such notice, has occurred and is continuing, and (b) the holders of not less than 25% in principal amount of the then Outstanding Bonds shall have requested the Trustee in writing and shall have afforded to it reasonable opportunity either to proceed to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name, and (c) one

or more holders of Bonds shall have offered to the Trustee adequate security and indemnity, satisfactory to it, against the costs, expenses and liabilities to be incurred therein or thereby, nor unless the Trustee shall have refused or neglected to act on such notification, request and offer of indemnity for at least 30 days; and such notification, request and offer of indemnity are hereby declared, in every such case, at the option of the Trustee, to be conditions precedent to the exercise of the powers and trusts of the Mortgage and to any action or cause of action for foreclosure, including the appointment of a receiver or trustee, or for any other remedy hereunder; it being understood and intended that no holder of any Bond or coupon shall have any right in any manner whatsoever by his action to affect, disturb or prejudice the lien of the Mortgage or to enforce any right hereunder, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had or maintained in the manner herein provided, and for the equal benefit of all holders of the Outstanding Bonds and coupons.

Nothing contained in this Section 17 or elsewhere in the Mortgage or in the Bonds or in the coupons shall affect or impair the obligation of the Company to pay the principal of, premium if any, and interest on the Bonds to the respective holders of the Bonds and to the respective holders of the coupons, as provided in such Bonds, nor affect or impair the right of action at law, which is also absolute and unconditional, of such holders to collect such payment.

SECTION 18. Except as herein expressly provided to the contrary, no remedy herein conferred upon or reserved to the Trustee or the Bondholders is intended to be exclusive of any other remedy or remedies, but each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder, or now or hereafter existing at law or in equity.

SECTION 19. No delay of the Trustee or of any Bondholder in exercising any right or power accruing upon any default continuing as

aforesaid and no omission to exercise any such right or power shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by this Article XV to the Trustee, or to any Bondholder, may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by such Bondholder, respectively.

SECTION 20. The Trustee shall have power, but shall be under no duty, to institute and maintain suits or proceedings to restrain the enforcement of, or compliance with, or the observance of, any legislative or governmental enactment, rule or order that it may be advised and believe is unconstitutional, or otherwise invalid, if the enforcement of, or compliance with, or observance of, such enactment, rule or order would, in the judgment of the Trustee, impair the security hereunder or be prejudicial to the Trustee or to the Bondholders.

SECTION 21. Except as provided in Section 4 of this Article XV, the holders of a majority in aggregate principal amount of the Outstanding Bonds shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or the exercise or non-exercise of any trust or power conferred on the Trustee. Except as provided in Section 4 of this Article XV, the holders of a majority in aggregate principal amount of the Outstanding Bonds may on behalf of the holders of all the Bonds waive any past default hereunder and its consequences other than an Event of Default specified in clauses (a), (b) or (c) of Section 2 of this Article XV. In the case of any such waiver, the Company, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 22. All parties to the Mortgage agree, and each holder of any Bond by his acceptance thereof shall be deemed to have agreed,

that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Mortgage, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 22 shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder or group of Bondholders holding more than 10% in aggregate principal amount of the Outstanding Bonds, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal of or interest on any Bond, on or after the due date expressed in such Bond.

SECTION 23. To the extent that any provision of this Article XV may be invalid or unenforceable under any applicable law with respect to any of the mortgaged property, such provision shall be deemed inoperative and inapplicable.

#### **ARTICLE XVI.**

##### **Immunity of Incorporators, Stockholders, Directors and Officers.**

The Mortgage and the Bonds and coupons are solely corporate obligations. No recourse shall be had for the payment of the principal of, premium if any, or interest on any Bond, or for any claim based thereon or on any coupon appurtenant thereto, or because of the creation of the indebtedness represented thereby, or otherwise in respect thereof, or based on or in respect of the Mortgage, against any past, present or future incorporator, stockholder, officer or director of the Company, as such, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability, by the acceptance of such Bond and as



part of the consideration for the issuance thereof, being expressly waived and released.

## **ARTICLE XVII.**

### **Defeasance.**

SECTION 1. If (a) the Company shall deliver to the Trustee for cancellation all Bonds and appurtenant coupons not theretofore cancelled and delivered to the Trustee, or (b) all Bonds not theretofore delivered to the Trustee cancelled or for cancellation shall have become due and payable, or are by their terms to become due and payable within 90 days or are to be redeemed within 90 days under arrangements satisfactory to the Trustee for the giving of notice of redemption, and the Company shall deposit with the Trustee as trust funds an amount sufficient to pay at maturity or upon redemption all of the Bonds not theretofore delivered to the Trustee cancelled or for cancellation, including the principal thereof, premium if any, and the full amount of unpaid interest which has or will become due to such date of maturity or redemption, as the case may be, and if (i) the moneys so deposited shall have been made available to the holders of Bonds and coupons for the payment of which the same shall have been so deposited and (ii) a notice of such availability shall have been published in the manner provided in Article IV as in the case of redemption, or provision satisfactory to the Trustee shall have been made for such publication, and if in either case the Company shall also pay or cause to be paid all other sums payable hereunder by the Company, then the Mortgage shall cease to be of further effect. In such event the Trustee, on demand of the Company and at its cost and expense, shall execute and deliver to the Company such instrument or instruments as may be appropriate to acknowledge satisfaction of the Mortgage, and as will enable the Company to have the Mortgage discharged of record, and shall release and assign, or cause to be released and assigned, to the Company all of its interest in the mortgaged property, and shall deliver

to the Company or upon its order all securities and moneys then held by the Trustee under the provisions hereof other than the money deposited as above provided in this Article XVII.

The Company, notwithstanding the satisfaction of the Mortgage as above provided, will indemnify the Trustee and hold it harmless against any and all expense or liability, incurred without negligence or bad faith, ascertained or incurred by the Trustee after the satisfaction thereof arising out of or based upon any matter connected with the trust created by the Mortgage.

SECTION 2. All moneys deposited with the Trustee pursuant to Section 1 of this Article XVII shall be held in trust and applied by it, subject to the provisions of Section 4 of this Article XVII, to the payment to the holders of the Bonds and coupons of all sums due and to become due thereon for principal and interest and premium, if any.

SECTION 3. Upon the satisfaction and discharge of the Mortgage, all moneys then held by any paying agent under any provision of the Mortgage shall be paid to the Trustee, and thereupon such payment agent shall be released from all further liability with respect to such moneys.

SECTION 4. Any moneys deposited by the Company with the Trustee or with any paying agent for the payment of the principal of, or the premium or interest on, any Bond which shall remain unclaimed by the holder of the Bond or coupon entitled to receive the same for 10 years after the date upon which the principal of such Bond shall have become due and payable (upon redemption or otherwise) shall be repaid to the Company on demand; and the holder of any Bond or coupon entitled to receive such payment shall thereafter look only to the Company for the payment thereof; provided, however, that (a) before any such repayment may be made, the Trustee, at the expense of the Company, shall cause to be published once a week for two successive calendar weeks (in each case on any day of the week) in a Daily Newspaper in the City of Savannah, State of Georgia, and in a Daily

Newspaper in the Borough of Manhattan, City and State of New York, a notice that said moneys have not been claimed and that after a date named therein any balance of said moneys then remaining will be returned to the Company, and (b) the amount of such repayment shall be limited to the balance of such moneys unclaimed at the close of business on such date.

### **ARTICLE XVIII.**

#### **Supplemental Indentures.**

SECTION 1. The Company, when authorized by a resolution of its Board of Directors, and the Trustee may at any time and from time to time enter into an indenture or indentures supplemental hereto for one or more of the following purposes:

(a) To convey, transfer and assign to the Trustee and subject to the lien of the Mortgage, with the same force and effect as though included in the granting clauses hereof, additional property then owned by the Company, acquired through consolidation, merger, purchase or otherwise;

(b) To evidence the succession of another corporation to the Company, or successive successions, and the assumption by the successor corporation of the covenants, agreements and obligations of the Company pursuant to Article XI;

(c) To set forth the terms and provisions of any series of Bonds to be issued hereunder and the form of the Bonds and coupons of such series;

(d) To add to the covenants of the Company such further covenants for the protection of the mortgaged property and the Bondholders as the Board of Directors and the Trustee shall consider to be for the protection of the Bondholders, and to make the occurrence and continuance of a default under any of such additional covenants a default permitting the enforcement of all or any of the several remedies provided in the Mortgage; provided, however, that in respect of any such additional covenant, such supplemental indenture may provide for a particular

period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement of said remedy or remedies upon such default or may limit the remedies available to the Trustee upon such default or may authorize the holders of not less than a majority in aggregate principal amount of the Outstanding Bonds to waive such default and prescribe limitations on such rights of waiver; and

(e) To cure any ambiguity or to correct or supplement any provision contained in the Mortgage which may be defective or inconsistent with any other provision contained herein or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under the Mortgage as shall not be inconsistent with the provisions of the Mortgage and shall not adversely affect the interest of the Bondholders.

The Trustee is hereby authorized to join with the Company in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer and assignment of any property thereunder, but the Trustee shall not be obligated to enter into any such supplemental indenture which, in its opinion, affects the Trustee's own rights, duties or immunities under the Mortgage or otherwise.

Any supplemental indenture authorized by the provisions of this Section 1 may be executed by the Company and the Trustee without the consent of the holders of any of the then Outstanding Bonds, notwithstanding any of the provisions of Section 2 of this Article XVIII.

SECTION 2. Subject to the provisions of Section 4 of Article XII, with the consent (evidenced as provided in Section 1 of Article XII) of the holders of not less than 66 $\frac{2}{3}$ % in aggregate principal amount of the then Outstanding Bonds to be directly affected thereby, and with the approval of the Interstate Commerce Commission or other public regulatory body having jurisdiction in the premises, the Company, when authorized by a resolution of its Board of Directors, and the

Trustee, at any time and from time to time, by entering into an indenture or indentures supplemental hereto, may modify or alter in any manner any of the provisions of the Mortgage or the rights of the holders of the Bonds and coupons to be directly affected thereby or the rights and obligations of the Company; provided, however, that no such modification or alteration shall:

(i) alter or impair the obligation of the Company to pay the *principal of or the interest* on any Bonds at the time and place and in the manner specified therein or in any interest coupon appertaining thereto without in each case the consent of the holders of all Bonds affected thereby; or

(ii) alter or impair the obligation of the Company with respect to the determination and application of income available for interest on the Bonds; or

(iii) permit the creation by the Company of any mortgage or other lien in the nature of a mortgage ranking prior to or on a parity with the lien of the Mortgage with respect to any property covered thereby except as in the Mortgage otherwise expressly provided, without in each case the consent of the holders of all Outstanding Bonds; or

(iv) effect a reduction of the percentage required for any action authorized to be taken by the holders of the Bonds, without in each case the consent of the holders of all Outstanding Bonds;

and provided, further, that no such modification or alteration shall affect the rights, duties or immunities of the Trustee without the written consent of the Trustee.

It shall not be necessary for the consent of the Bondholders under this Section 2 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

SECTION 3. Subject to the provisions of Section 4 of Article XII, with the consent (evidenced as provided in Section 1 of Article XII)

of the holders of not less than 75% in aggregate principal amount of all of the then Outstanding Bonds affected, and with the approval of the Interstate Commerce Commission or other public regulatory body having jurisdiction in the premises, the Company, when authorized by a resolution of its Board of Directors, and the Trustee at any time and from time to time by entering into an indenture or indentures supplemental hereto, may postpone the time or times of payment of any principal of or any fixed or unpaid accumulated Contingent Interest on any or all series of Bonds then outstanding for a period of not exceeding 25 years beyond the original date of maturity of the principal of such Bonds or consent to the creation of any mortgage or lien in the nature of a mortgage ranking prior to or on a parity with the lien of the Mortgage.

SECTION 4. Upon the request of the Company, accompanied by a Certified Resolution authorizing the execution of any supplemental indenture pursuant to Section 2 or 3 of this Article XVIII, and upon the filing with the Trustee of evidence of the consent of Bondholders as aforesaid, the Trustee shall join with the Company in the execution of such supplemental indenture.

SECTION 5. Upon the execution of any supplemental indenture pursuant to the provisions of this Article XVIII, the Mortgage shall be and be deemed to be modified and amended in accordance therewith and the respective rights, duties and obligations under the Mortgage of the Company, the Trustee and the holders of Bonds of all series outstanding thereunder shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of the Mortgage for any and all purposes.

SECTION 6. Bonds authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this

Article XVIII may bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company or the Trustee shall so determine, new Bonds so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any modification of the Mortgage contained in any such supplemental indenture may be prepared by the Company, authenticated by the Trustee and delivered without expense to the holders of Bonds of the same series then outstanding, upon surrender of such Bonds accompanied, in the case of coupon Bonds, by all unmatured coupons and all unpaid matured coupons which shall be appurtenant thereto, the new Bonds so issued to be of the same series and of an aggregate principal amount equal to the aggregate principal amount of those so surrendered.

## **ARTICLE XIX.**

### **Miscellaneous.**

SECTION 1. The same officer or officers of the Company, or the same engineer, accountant or counsel or other person, as the case may be, need not certify to all the matters required to be certified under the provisions of any Article or Section of the Mortgage, but different officers, engineers, accountants, counsel or other persons may certify to different matters respectively.

SECTION 2. Each Officers' Certificate, Independent Engineer's Certificate or Opinion of Counsel required to be given responsive to a specified condition or covenant provided for in the Mortgage shall include: (i) a statement that the person making such certificate or giving such opinion has read such covenant or condition; (ii) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and (iii) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

SECTION 3. Except as otherwise expressly provided herein, nothing in the Mortgage or in any of the Bonds or coupons, express or implied, is intended or shall be construed to confer upon or give to any person, firm or corporation other than the parties hereto and the holders from time to time of the bonds or coupons issued under the Mortgage any security, right, remedy or claim, legal or equitable, under or by reason of the Mortgage, or under or by reason of any covenant, condition or stipulation herein contained; and the Mortgage and all covenants, conditions and provisions herein contained are and shall be held to be for the sole and exclusive benefit of the parties hereto and the holders from time to time of the Bonds and coupons issued hereunder.

SECTION 4. The Company shall be entitled to obtain from the Trustee from time to time such certificates and statements of the latter as to matters related to the Mortgage which are within its knowledge as the Company shall find it necessary or advisable to file with the trustee of the First Mortgage for any of the purposes thereof.

SECTION 5. The Mortgage may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

SECTION 6. The Mortgage is dated as of January 1, 1948, although executed and delivered on the date of the acknowledgment hereof by the Trustee; and the same shall be effective by order of the Court in the reorganization proceedings hereinbefore mentioned as of 12:01 A. M., Eastern Standard Time, on July 1, 1948.

IN WITNESS WHEREOF, CENTRAL OF GEORGIA RAILWAY COMPANY, the party of the first part, has caused the Mortgage to be signed and acknowledged by its President or one of its Vice Presidents, and its corporate seal to be affixed hereto, and the same to be attested by its Secretary or its Assistant Secretary; THE CITIZENS AND SOUTHERN NATIONAL BANK, the party of the second part, to evidence its acceptance of the trust hereby created, has caused the Mortgage to be signed and



acknowledged by one of its Vice Presidents and its corporate seal to be affixed hereto and the same to be attested by one of its Assistant Cashiers in the City of Savannah, Georgia, the 28th day of June, 1948, as of the day and year first written above.

CENTRAL OF GEORGIA RAILWAY COMPANY

By M. J. WISE  
*President*

(CORPORATE SEAL)

Attest:

FRANK S. BAGGETT  
*Secretary*

(NOTARIAL SEAL)

Signed, sealed and declared  
in the presence of:

GRIFFIN B. BELL  
EUGENIA SINGLETON  
Notary Public, Chatham County,  
Georgia.

THE CITIZENS AND SOUTHERN NATIONAL  
BANK

By L. W. McRAE  
*Vice President*

(CORPORATE SEAL)

Attest:

W. H. RENTZ  
*Assistant Cashier*

(NOTARIAL SEAL)

Signed, sealed and declared  
in the presence of:

GRIFFIN B. BELL  
EUGENIA SINGLETON  
Notary Public, Chatham County,  
Georgia.

STATE OF GEORGIA }  
COUNTY OF CHATHAM } SS.:

I, EUGENIA SINGLETON, a Notary Public in and for the State and County aforesaid, do hereby certify that M. J. WISE, whose name as President of CENTRAL OF GEORGIA RAILWAY COMPANY, and FRANK S. BAGGETT, whose name as Secretary of Central of Georgia Railway Company, a corporation, are each signed to the foregoing instrument, and each of whom is known to me, acknowledged before me on this day, being informed of the contents of the foregoing instrument, that, as such Officers and with full authority, they executed the same voluntarily for and as the act of said Corporation, and that the seal affixed to said instrument is the corporate seal of said corporation and was affixed by authority of its Board of Directors.

Witness my hand and seal this 30th day of June, 1948.

EUGENIA SINGLETON  
Notary Public, Chatham County,  
Georgia.

(NOTARIAL SEAL)

STATE OF GEORGIA }  
COUNTY OF CHATHAM } ss.:

I, EUGENIA SINGLETON, a Notary Public in and for the State and County aforesaid, do hereby certify that L. W. McRAE, whose name as Vice President of THE CITIZENS AND SOUTHERN NATIONAL BANK, and W. H. RENTZ, whose name as Assistant Cashier of The Citizens and Southern National Bank, a corporation, are each signed to the foregoing instrument, and each of whom is known to me, acknowledged before me on this day, being informed of the contents of the foregoing instrument, that, as such Officers and with full authority, they executed the same voluntarily for and as the act of said Corporation, and that the seal affixed to said instrument is the corporate seal of said corporation and was affixed by authority of its Board of Directors.

Witness my hand and seal this 30th day of June, 1948.

EUGENIA SINGLETON  
Notary Public, Chatham County,  
Georgia.

(NOTARIAL SEAL)

# RECORDING DATA OF GENERAL MORTGAGES

	Filed for Record	Recorded				Filed for Record	Recorded		
		Date	Book	Page			Date	Book	Page
<u>ALABAMA</u>					<u>GEORGIA</u>				
Barbour	7-23-48	7-23-48	Mtg. 164	47-94	Bullock	7-10-48	7-26-48	177	59-103
Bullock	7-21-48	7-21-48	Mtg. 210	298-346	Burke	7-8-48	7-31-48	54	74-111
Chambers	7-20-48	7-20-48	Mtg. 235	328 -	Candler	7-10-48	8-2-48	24	453-504
Clay	7-21-48	7-21-48	Mtg. 120	541-589	Carroll	7-29-48	8-23-48	88	49-
Cocosa	8-4-48	8-4-48	Mtg. 171	586-633	Catoosa	7-29-48	7-30-48	51	333-384
Covington	7-22-48	7-22-48	Mtg. 334	197-386	Chatham	7-7-48	7-7-48	47 F	92-
Crenshaw	7-22-48	7-22-48	Mtg. 205	139-186	Chattahoochee	7-23-48	8-4-48	Deed W	49-
Dale	8-6-48	8-6-48	Mtg. 178	48-96	Chattooga	7-29-48	8-16-48	Deed 43	49-96
Geneva	7-22-48	7-22-48	Mtg. 304	235-280	Clarke	7-9-48	8-4-48	75	275-324
Henry	7-22-48	7-22-48	Mtg. 247	97-144	Clayton	7-30-48	9-21-48	Deed 63	149-204
Houston	7-22-48	7-22-48	Mtg. 288	167-	Coweta	7-29-48	8-5-48	53	117-164
Jefferson	7-21-48	7-21-48	Mtg. 4140	179-274	Effingham	7-8-48	8-3-48	103	49-96
Lee	7-20-48	7-26-48	Mtg. 313	437-	Evans	7-19-48	8-6-48	Deed 24	189-244
Macon	7-21-48	7-21-48	Mtg. 236	95-	Fayette	7-30-48	8-5-48	32	209-254
Montgomery	7-21-48	7-21-48	Mtg. 637	396-492	Floyd	7-29-48	8-4-48	Deed 235	95-
Pike	7-22-48	7-22-48	Mtg. 204	163-210	Fulton	8-20-48	8-23-48	1533	205-254
Randolph	7-20-48	7-20-48	Mtg. 134	93-140	Haralson	7-29-48	8-3-48	Mtg. 67	206-264
Russell	7-23-48	7-23-48	Mtg. 80	95-142	Harris	7-28-48	7-31-48	Deed 19	179-
Shelby	7-21-48	8-5-48	Mtg. 206	649-	Henry	7-30-48	8-4-48	Deed 40	311-354
St. Clair					Jasper	7-9-48	7-9-48	Deed A-5	193-244
Ashville	8-27-48	8-27-48	Mtg. 124	89-	Jefferson	7-28-48	8-16-48	Deed 3 M	71-114
Pell City	7-21-48	7-21-48	Mtg. 59	65-	Jenkins	7-8-48	7-28-48	II	49-96
Talladega	7-21-48	7-31-48	Mtg. 305	399-	Jones	7-9-48	7-26-48	Deed 3-D	111-154
Tallapoosa	7-20-48	7-20-48	Mtg. 287	209-256	Lamar	7-23-48	7-24-48	Deed 23	53-104
<u>GEORGIA</u>			Deed		Marion	7-20-48	7-26-48	Deed 34	369-414
Baldwin	7-8-48	7-27-48	38	75-122	Meriwether	7-29-48	7-29-48	46	256-304
Bibb	7-9-48	7-26-48	589	745-	Monroe	7-23-48	7-24-48	Deed 57	153-204
Bryan	7-19-48	8-4-48	3-C	81-128					

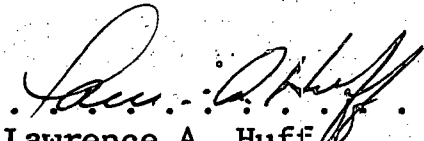
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	Date	Book	Page		Date	Book	Page
<u>GEORGIA</u>				<u>GEORGIA</u>			
Morgan	7-9-48	7-24-48	41 57- Mtg.	Spalding	7-30-48	7-30-48	100 373-
Musgrove	7-20-48	7-26-48	187 137- Mtg.	Swater	7-20-48	7-20-48	38 69-116 Deed
Norton	7-9-48	8-10-48	80 49-96	Tatnall	7-19-48	7-26-48	3 Q 125-172 Mtg.
Reese	7-9-48	7-27-48	2 267-314 Deed	Tocabs	7-19-48	8-2-48	56 283-330 Deed
Rolk	7-29-48	7-31-48	78 223-270	Upton	7-23-48	7-23-48	114 345-392 Deed
Rutten	7-9-48	7-30-48	64 69-116 Realty	Walker	7-29-48	7-30-48	124 119-166 Deed
Richmond	7-8-48	7-27-48	16 V 137-184 Mtg.	Washington	7-8-48	7-8-48	3 K 49-
Shley	7-20-48	7-24-48	3 255-302	Wilkinson	7-9-48	8-9-48	82 49-97
Shreve	7-8-48	7-30-48	84 71-118	<u>TENNESSEE</u>			
				<u>Hamilton</u>	8-19-48	8-19-48	985 51-

CERTIFICATE

I, Lawrence A. Huff, a Notary Public in and for the District of Columbia, hereby certify that I have compared the attached copy of document with the original document and that it is a true and correct copy in all respects.

DATED this 24th day of August, 1972.

  
 Lawrence A. Huff  
 Notary Public  
 in and for the District of Columbia  
 My commission expires June 30, 1977.